



# STATE OF OKLAHOMA 2019

## Single Audit Report

For the fiscal year ended June 30, 2019

**Cindy Byrd, CPA**  
State Auditor & Inspector

# OKLAHOMA 2019

**Single Audit Report**  
For the Fiscal Year Ended June 30, 2019

Prepared by  
Office of the State Auditor and Inspector

Cindy Byrd, CPA  
Oklahoma State Auditor and Inspector

April 30, 2020

**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, 2019. 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,



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



**State of Oklahoma  
Single Audit Reporting Package  
Year Ended June 30, 2019**

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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**

We have audited the State of Oklahoma's compliance with the types of compliance requirements described 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, 2019. 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, 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 1.27% of total expenditures for federal programs reported on the Schedule of Expenditures of Federal Awards. These 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 entities, 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, 2019. 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.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.



### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the State of Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above and the reports of other auditors. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our disclaimers of opinion, qualified opinions, and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the State of Oklahoma's compliance.

### ***Basis for Disclaimer of Opinion on Children's Health Insurance Program and Medicaid Cluster***

As described in the accompanying schedules 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 CFDA 93.767 Children's Health Insurance Program as described in finding number 2019-087 and the Medicaid Cluster as described in finding numbers 2019-025, 2019-087, 2019-088, and 2019-089 for Eligibility; consequently we were unable to determine whether the State of Oklahoma complied with this requirement applicable to those programs.

### ***Disclaimer of Opinion on Children's Health Insurance Program and Medicaid Cluster***

Due to the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, the auditor has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion; accordingly, the auditor does not express an opinion on CFDA 93.767 Children's Health Insurance Program and the Medicaid Cluster regarding the Eligibility compliance requirement.

### ***Basis for Qualified Opinion on SNAP Cluster, Child Nutrition Cluster, Child and Adult Care Food Program, Unemployment Insurance, Title I Grants to Local Educational Agencies, TANF Cluster, Foster Care – Title IV-E, Social Services Block Grant, Children's Health Insurance Program, and Disaster Grants - Public Assistance***

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

<b>Finding #</b>	<b>CFDA #</b>	<b>Program (or Cluster) Name</b>	<b>Compliance Requirement</b>
2019-016	10.551	SNAP Cluster	Special Tests (N3)
2019-004 2019-005	10.553/10.555/ 10.556	Child Nutrition Cluster	Activities Allowed/ Unallowed
2019-004 2019-005	10.553/10.555/ 10.556	Child Nutrition Cluster	Allowable Costs/ Cost Principles
2019-004 2019-005	10.553/10.555/ 10.556	Child Nutrition Cluster	Eligibility
2019-005	10.553/10.555/ 10.556	Child Nutrition Cluster	Procurement
2019-004 2019-005	10.553/10.555/ 10.556	Child Nutrition Cluster	Special Tests (N1)
2019-005	10.553/10.555/ 10.556	Child Nutrition Cluster	Special Tests (N4)
2019-006	10.559	Child Nutrition Cluster	Activities Allowed/ Unallowed
2019-006	10.559	Child Nutrition Cluster	Allowable Costs/ Cost Principles
2019-006	10.559	Child Nutrition Cluster	Eligibility
2019-006	10.559	Child Nutrition Cluster	Procurement
2019-057 2019-058 2019-059	10.558	Child and Adult Care Food Program	Activities Allowed/ Unallowed
2019-057 2019-058 2019-059	10.558	Child and Adult Care Food Program	Allowable Costs/ Cost Principles
2019-057 2019-058 2019-059	10.558	Child and Adult Care Food Program	Eligibility
2019-078	17.225	Unemployment Insurance	Special Tests (N4)
2019-065	84.010	Title I Grants to Local Educational Agencies	Special Tests (N3)
2019-043 2019-075	93.558	TANF Cluster	Activities Allowed/ Unallowed
2019-043 2019-075	93.558	TANF Cluster	Allowable Costs/ Cost Principles
2019-014 2019-015 2019-051	93.558	TANF Cluster	Maintenance of Effort
2019-024 2019-067 2019-074 2019-075	93.558	TANF Cluster	Reporting
2019-025 2019-044 2019-052	93.558	TANF Cluster	Special Tests (N2)



<b>Finding #</b>	<b>CFDA #</b>	<b>Program (or Cluster) Name</b>	<b>Compliance Requirement</b>
2019-063	93.658	Foster Care – Title IV-E	Subrecipient Monitoring
2019-050	93.667	Social Services Block Grant	Activities Allowed/ Unallowed
2019-050	93.667	Social Services Block Grant	Allowable Costs/ Cost Principles
2019-047 2019-087	93.767	Children’s Health Insurance Program	Activities Allowed/ Unallowed
2019-047 2019-087	93.767	Children’s Health Insurance Program	Allowable Costs/ Cost Principles
2019-009 2019-018	97.036	Disaster Grants - Public Assistance	Reporting
2019-008 2019-033	97.036	Disaster Grants - Public Assistance	Subrecipient Monitoring

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

***Qualified Opinion on SNAP Cluster, Child Nutrition Cluster, Child and Adult Care Food Program, Unemployment Insurance, Title I Grants to Local Educational Agencies, TANF Cluster, Foster Care - Title IV-E, Social Services Block Grant, Children’s Health Insurance Program, and Disaster Grants - Public Assistance***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State of Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the SNAP Cluster, Child Nutrition Cluster, Child and Adult Care Food Program, Unemployment Insurance, Title I Grants to Local Educational Agencies, TANF Cluster, Foster Care - Title IV-E, Social Services Block Grant, Children’s Health Insurance Program, and Disaster Grants - Public Assistance programs for the year ended June 30, 2019.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, based on our audit and the report of other auditors, the State of Oklahoma complied, in all material respects, with the types of 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, 2019.

***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:

2019-001	2019-010	2019-025	2019-027	2019-028	2019-031
2019-032	2019-034	2019-035	2019-036	2019-037	2019-038
2019-040	2019-043	2019-045	2019-046	2019-047	2019-049
2019-053	2019-054	2019-055	2019-056	2019-057	2019-058
2019-068	2019-069	2019-070	2019-071	2019-072	2019-077
2019-079	2019-081	2019-083	2019-085	2019-087	

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

The State of Oklahoma’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The State of Oklahoma’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the State of Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Oklahoma’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Oklahoma’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified 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.

2019-001	2019-004	2019-005	2019-006	2019-008	2019-009
2019-010	2019-014	2019-015	2019-016	2019-018	2019-025
2019-031	2019-040	2019-050	2019-051	2019-052	2019-054
2019-055	2019-056	2019-057	2019-058	2019-063	2019-065
2019-075	2019-078	2019-087	2019-088	2019-089	

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.

2019-005	2019-006	2019-012	2019-024	2019-027	2019-028
2019-032	2019-033	2019-034	2019-035	2019-036	2019-037
2019-038	2019-041	2019-043	2019-044	2019-045	2019-049
2019-053	2019-057	2019-058	2019-059	2019-067	2019-068
2019-069	2019-070	2019-071	2019-072	2019-073	2019-074
2019-077	2019-079	2019-081	2019-083	2019-084	2019-085

The State of Oklahoma’s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The State of Oklahoma’s response was not subjected to the 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State of Oklahoma’s basic financial statements. We issued our report thereon dated December 29, 2019, 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. 83, *Certain Asset Retirement Obligations*; and GASB Statement No. 88, *Certain Disclosures related to Debt, Including Direct Borrowings and Direct Placements* effective July 1, 2018.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Oklahoma’s basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as

required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Requirement for Federal Awards*, 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, based on our audit, the procedures performed as described previously, and the reports of other auditors, 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

April 30, 2020 except for our report on the Schedule of Expenditures of Federal Awards, for which the date is December 29, 2019

## Schedule of Findings and Questioned Costs

# Schedule of Findings

## Summary of Auditor's Results

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### 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 2019, 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 with the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the year ended June 30, 2019, dated December 29, 2019.

### 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 - SNAP Cluster	Qualified
#10.553/10.555/10.556/10.559 - Child Nutrition Cluster	Qualified
#10.558 - Child and Adult Care Food Program	Qualified
#17.225 - Unemployment Insurance	Qualified
#84.010 - Title I Grants to Local Educational Agencies	Qualified
#93.558 - TANF Cluster	Qualified
#93.658 - Foster Care – Title IV-E	Qualified
#93.667 - Social Services Block Grant	Qualified
#93.767 - Children's Health Insurance Program	Disclaimer/Qualified
#93.775/93.777/93.778 - Medicaid Cluster	Disclaimer
#97.036 - Disaster Grants - Public Assistance	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: ..... \$21,539,275

Auditee qualified as low-risk auditee? ..... No

## Schedule of Findings

### Summary of Auditor's Results

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Identification of Major Programs:

		<b>CFDA Number and Program</b>	<b>State Agency Name</b>
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
	10.555	National School Lunch Program	Department of Education, Department of Human Services
	10.556	Special Milk Program for Children	Department of Education
	10.559	Summer Food Service Program for Children	Department of Education, Department of Human Services
	10.558	Child and Adult Care Food Program	Department of Education, Department of Human Services
	14.228	Community Development Block Grant	Department of Commerce
	14.231	Emergency Solutions Grant Program	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	
	17.225	Unemployment Insurance	Employment Security Commission
Clean Water State Revolving Fund Cluster	66.458	Capitalization Grants for Clean Water State Revolving Funds	Water Resources Board
Drinking Water State Revolving Fund Cluster	66.468	Capitalization Grants for Drinking Water State Revolving Funds	Department of Environmental Quality
	81.042	Weatherization Assistance for Low-Income Persons	Department of Commerce
	84.010	Title I Grants to Local Educational Agencies	Department of Education, Office of Juvenile Affairs
	84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Department of Rehabilitation Services
	84.367	Supporting Effective Instruction State Grants	Department of Education
	93.268	Immunization Cooperative Agreements	Department of Health

## Schedule of Findings

### Summary of Auditor's Results

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TANF Cluster	93.558	Temporary Assistance for Needy Families	Department of Human Services, Department of Libraries, Department of Career and Technology Education, Department of Mental Health
	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, Commission on Children and Youth, Office of Juvenile Affairs
	93.667	Social Services Block Grant	Department of Human Services
	93.767	Children's Health Insurance Program	Health Care Authority, Department of Health, Department of Mental Health
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, Department of Mental Health, and Office of Juvenile Affairs
	93.917	HIV Care Formula Grants	Department of Health
Disability Insurance/SSI Cluster	96.001	Social Security - Disability Insurance	Department of Rehabilitation Services
	96.006	Supplemental Security Income	
	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Emergency Management



# Schedule of Findings And Questioned Costs

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## ***FINANCIAL STATEMENT FINDINGS***

**Reference Number:** 19-695-023

**State Agency:** Oklahoma Tax Commission (the Commission); Office of Management and Enterprise Services (OMES)

**Fund Type:** Governmental Funds: General Fund

**Other Information:** Taxes Receivable

**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.”

A basic objective of Generally Accepted Accounting Principles (GAAP) is to provide accurate, reliable and timely information through a proper review and approval process.

*Governmental Accounting Standards Board Statement Number 34 (GASB 34), Paragraph 73* states, “*Agency Funds* should report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.”

*GASB 34 Paragraph 111* states, in part, “Sometimes an agency fund is used as a clearing account to distribute financial resources to other funds of the government, as well as other entities. ... When this occurs, the portion of the clearing account balance that pertains to other funds of the [government] should not be reported in agency funds. Rather, it should be reported as assets in the appropriate funds.”

The Sales Tax Code, as specified in 68 O.S. § 1370 (A.) states, in part, “In accordance with the provisions of Section 1 of this act, any county of this state may levy a sales tax of not to exceed two percent (2%) upon the gross proceeds or gross receipts derived from all sales or services in the county upon which a consumer's sales tax is levied by this state. Before a sales tax may be levied by the county, the imposition of the tax shall first be approved by a majority of the registered voters of the county voting thereon at a special election called by the board of county commissioners or by initiative petition signed by not less than five percent (5%) of the registered voters of the county who were registered at the time of the last general election... .”

The Use Tax Code, as specified in 68 O.S. § 1411 states, in part, “The board of county commissioners of a county levying a county sales tax or the governing body of a municipality levying a municipal sales tax may levy an additional excise tax, at a rate that equals the county or municipal sales tax rate of such county or municipality, whichever is applicable, on the storage, use or other consumption of tangible personal property used, stored or consumed within the county or municipality. This authorization to levy and impose a county or municipal use tax shall be in addition to the tax levied by Section 1402 of this title. Such tax shall be paid by every person storing, using or otherwise consuming, within the county or municipality, tangible personal property purchased or brought into the county or municipality.”

The Sales Tax Code for Lodging Tax, as specified in 68 O.S. § 1370.9 (A.)states, in part, “In addition to any other sales tax levied by a county pursuant to the provisions of Section 1350 et seq. of this title, any county of this state having a population of less than Two Hundred Thousand (200,000), according to the latest Federal Decennial Census, may levy a lodging tax, not to exceed five percent (5%), upon the gross proceeds or gross receipts derived from the service of furnishing of rooms by hotel, apartment hotel, or motel and for the furnishing of any other facility for public lodging, except campsites. Before such a tax may be levied by the county, the imposition of the tax shall first be approved by a majority of the registered voters of the county voting thereon at a special election called by the board of county commissioners or by initiative petition signed by not less than five percent (5%) of the registered voters of the county who were registered at the time of the last general election... .”

## Schedule of Findings And Questioned Costs

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**Condition:** The Commission reported their total taxes receivable amount split between “Cities and Counties” and “Various” on the Office of Management and Enterprise Services (OMES) GAAP Package E-1. The GAAP Package E-1 is the form utilized by state agencies to report taxes receivable to OMES for inclusion in the CAFR. OMES recorded the total of the taxes receivable reported in the General Fund section of the Governmental Fund Statements instead of recording the “Cities and Counties” amount in the Agency Fund. The Commission did not appropriately complete GAAP Package E-1 by not specifying which fund the receivable was attributable to.

OMES erroneously excluded the local government sales, use, and lodging tax amount from the *Taxes Receivable* on the Statement of Fiduciary Net Position – Agency Fund and included the amount in the General Fund. The total amount excluded was \$147,651,776.

**Cause:** The current instructions for GAAP Package E-1 did not adequately inform the Commission on how to properly report the local government sales, use, and lodging tax amounts. The review process in place at OMES did not detect the Agency Fund portion of the *Taxes Receivable* to comply with the Oklahoma Statute and GAAP.

**Effect:** The *Taxes Receivable* reported on the *Governmental Funds Balance Sheet* included taxes the State of Oklahoma is expected to collect on behalf of the local governments at year-end, and thus *Taxes Receivable* reported on the *Governmental Funds Balance Sheet* was overstated by \$147,651,776.

**Recommendation:** We recommend the State of Oklahoma (the Commission and OMES) develop and document a method to determine and properly report all Taxes Receivables that are expected to be collected on behalf of others to ensure compliance with the Oklahoma Statutes and GAAP. We also recommend the State of Oklahoma (the Commission and OMES) develop a review process to ensure the General Fund and Agency Fund *Taxes Receivable* are properly distinguished and recorded in the State of Oklahoma - CAFR.

### *Views of Responsible Official(s)*

**Contact Person:** Patricia Garcia (Commission); Matt Clarkson (OMES)

**Anticipated Completion Date:** 4/30/2020

**Corrective Action Planned:** Management concurs with finding. Please see the OTC and OMES corrective action plan located in the corrective action plan section of this report.

**Reference Number:** 19-695-024

**State Agency:** Oklahoma Tax Commission (the Commission)

**Fund Type:** Government-Wide – Governmental Activities; Governmental Funds - General Fund

**Other Information:** Taxes Receivable

**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.”

Governmental Accounting Standards Board Statement Number 34 (GASB 34) Paragraph 16 states, “The statement of net assets and the statement of activities should be reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions should be recognized in accordance with the requirements of Statement 33.”

GASB 34 Paragraph 16 states, in part, “Financial statements for governmental funds should be presented using the *current resources measurement focus* and the *modified accrual basis of accounting*....”

GASB 33 Paragraph 16 states, “Governments should recognize assets from derived tax revenue transactions in the period when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. *Revenues* should be recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has

## Schedule of Findings And Questioned Costs

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occurred. Resources received in advance should be reported as deferred revenues (liabilities) until the period of exchange.”

GASB 33 Paragraph 30 states, in part, “When the modified accrual basis of accounting is used, revenues resulting from nonexchange transactions should be recognized... in the period when the underlying exchange has occurred, and the resources are available.”

Office of Management and Enterprise Services (OMES) GAAP Conversion Manual for GAAP Package E. Taxes Receivable and Refunds Payable Conversion Package IV. A. 3. states, “Taxes receivables as of June 30 can be estimated by compiling the tax receipts in July and August. Specify by the type of tax. If your agency has a receivable system in place that system should be used.”

**Condition:** The Gross Production and Motor Vehicle Taxes derived from taxes due to the Commission as of June 30, 2019 and received between July 1, 2019 to August 30, 2019 were not reported by the Commission as taxes receivable on the GAAP Package E-1.

**Cause:** The current review process in place at the Commission did not detect the misstatement. The Gross Production and Motor Vehicle Taxes are kept in separate systems from the main OneLink General Ledger system the Commission used to calculate Taxes Receivable.

**Effect:** The financial statements were not in compliance with the GAAP accrual and modified accrual basis of accounting. The taxes receivable amount underreported by the Commission on the GAAP Package E-1 caused the taxes receivable on the State of Oklahoma – Comprehensive Annual Financial Report (CAFR) to be understated by \$137,643,280.

**Recommendation:** We recommend the Commission implement procedures to determine and report all taxes receivables in compliance with standards. We also recommend the Commission develop a review process to detect omissions of information from the GAAP Package E-1. The design should ensure the Commission’s GAAP Package E-1 is prepared in accordance with GAAP and the State of Oklahoma – CAFR is fairly stated.

### *Views of Responsible Official(s)*

**Contact Person:** Patricia Garcia

**Anticipated Completion Date:** 4/30/2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**Reference Number:** 19-695-026

**State Agency:** Oklahoma Tax Commission (the Commission)

**Fund Type:** Government-Wide – Governmental Activities; Governmental Funds - General Fund

**Other Information:** Taxes Receivable

**Criteria:** The United States Government Accountability Office (GAO) Standards for Internal Control in the Federal Government section 11.03 states in part, “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 represents the life cycle of information used for the entity’s operational processes that enables the entity to obtain, store, and process quality information.”

The GAO Standards for Internal Control in the Federal Government section 11.05 states, “Management also evaluates information processing objectives to meet the defined information requirements. Information processing objectives may include . . . completeness . . . accuracy . . . validity.”

The GAO Standards for Internal Control in the Federal Government 11.06 states, “Management designs appropriate types of control activities in the entity’s information system for coverage of information processing objectives for operational processes.”

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The GAO Standards for Internal Control in the Federal Government 13.02 states, “Management designs a process that uses the entity’s objectives and related risks to identify the information requirements needed to achieve the objectives and address the risks. Information requirements consider the expectations of both internal and external users. Management defines the identified information requirements at the relevant level and requisite specificity for appropriate personnel.”

**Condition:** The data used to compile gross production taxes receivable included \$98 million in collections that did not include production dates. Without the production dates, the Commission was unable to determine if these collections were receivables at year end and therefore should have been reported on the SFY 2019 GAAP Package E-1: Taxes Receivable and Refunds Payable (GAAP Package E-1).

In addition, the OneLink Motor Vehicle system posts batch transactions to the general ledger. Because of this batch processing, the general ledger is unable to provide a portion of the detailed transactions in a timely manner to determine whether \$44 million in motor vehicle tax collections were receivables that should have been reported on the SFY 2019 GAAP Package E-1.

**Cause:** The Gross Production and Motor Vehicle systems provide limited detailed information for the Commission to determine whether or not collections should be receivables at year end and included in GAAP Package E-1.

Gross production taxes can be paid without filing a report. Therefore, the Commission did not have sufficient detailed support behind these tax payments to determine if these collections should be taxes receivable and included in the GAAP Package E-1.

Motor vehicle taxes are reported by multiple external sources in batch form. The underlying detailed support for the transactions remains with the external source. This makes it impossible for the Commission to determine if collections should be receivables and included in GAAP Package E-1.

**Effect:** Since sufficient detailed data for these tax receipts was unavailable, the amounts reported on GAAP Package E-1 and the State of Oklahoma – Comprehensive Annual Financial Report could be understated based on the \$142 million of detailed transactions that could not be provided.

**Recommendation:** We recommend the Commission obtain the detailed support for the gross production tax collections as close to the tax payment date as possible and develop a process to gather detail of motor vehicle transactions from external sources to timely determine the taxes receivable on the year-end GAAP Package E-1.

### *Views of Responsible Official(s)*

**Contact Person:** Patricia Garcia

**Anticipated Completion Date:** 4/30/2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**Reference Number:** 19-695-029

**State Agency:** Oklahoma Tax Commission (the Commission); Office of Management and Enterprise Services (OMES)

**Fund Type:** Agency Fund; General Fund

**Other Information:** Cash/Cash Equivalents

**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.”

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

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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 Cash/Cash Equivalents that are held for taxes levied by the State of Oklahoma was erroneously recorded in the Agency Fund, instead of the General Fund.

**Cause:** The State of Oklahoma's (the Commission and OMES) approach to reporting Cash/Cash Equivalents on Generally Accepted Accounting Principles (GAAP) Package S-1 was not consistent with the *Governmental Accounting Standards Board* interpretation.

**Effect:** The error resulted in a \$307,319,000 overstatement of cash/cash equivalents in the Agency Fund and understatement of cash in the General Fund.

**Recommendation:** We recommend the State of Oklahoma (the Commission and OMES) develop and document a method to properly report all Cash levied by the State of Oklahoma and local governments to ensure compliance with the Oklahoma Statutes and GAAP. We also recommend the State of Oklahoma (the Commission and OMES) develop a review process to ensure the General Fund and Agency Fund *Cash* amounts are distinguished and properly recorded in the State of Oklahoma - CAFR.

### *Views of Responsible Official(s)*

**Contact Person:** Patricia Garcia (Commission); Matt Clarkson (OMES)

**Anticipated Completion Date:** 4/30/2020

**Corrective Action Planned:** Management concurs with finding. Please see the OTC and OMES corrective action plan located in the corrective action plan section of this report.

### *End of Financial Statement Findings*

## ***FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***

Note: Findings are presented alphabetically by state agency

### ***OKLAHOMA DEPARTMENT OF EDUCATION***

**FINDING NO:** 2019-004

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Agriculture (USDA)

**CFDA NO:** 10.553, 10.555, 10.556

**FEDERAL PROGRAM NAME:** Child Nutrition Cluster

**FEDERAL AWARD NUMBER:** 60K300329

**FEDERAL AWARD YEAR:** 2019

**CONTROL CATEGORY:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP)

**QUESTIONED COSTS:** \$0

**Criteria:** The GAO Standards for Internal Control in the Federal Government 11.06 states in part, "Management designs appropriate types of control activities in the entity's information system for coverage of information processing objectives for operational processes."

The GAO Standards for Internal Control in the Federal Government 11.07 states, "Information system general controls (at the entity-wide, system, and application levels) are the policies and procedures that apply to all or a large

## Schedule of Findings And Questioned Costs

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segment of an entity's information systems. General controls facilitate the proper operation of information systems by creating the environment for proper operation of application controls. General controls include security management, logical and physical access, configuration management, segregation of duties, and contingency planning.”

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:** OSDE implemented a new system for the National School Lunch Program (NSLP), School Breakfast Program (SBP), and Special Milk Program (SMP) at the beginning of school year 2018-19.

The following issues were noted during our discussions with OSDE management and during our documentation of controls for Parts A/B, Part E and Part N1 – Verification of Free and Reduced-Price Applications (NSLP):

*Original claims being erased* - There were numerous issues that prevented the CARS system from communicating effectively with the mainframe system causing OSDE to manually move claim data from one system to the other in order to process claim payments. During these manual transfers, the prior warrant data was overridden by any subsequent warrant data in the CARS system and, as a result, the CARS system only reflected the most current payment data and did not reflect any prior payment (or duplicate payment) data.

*Rate tables* – Several rate tables were wrong and had to be revised

*Site summary not agreeing with District claim* – The site summary listing did not include all sites listed on the District claim and the claim totals did not agree. OSDE explained that the CARS system did not recognize sites once they had closed or did not have an approved application which resulted in the information being dropped from previous claims.

*Verification Summary Report edit failure:* The 2018-2019 *Verification Summary Reports* were approved by OSDE personnel who relied on the CARS system edits which were designed to verify information reported on the *Verification Summary Report* was correct; however, many of the edits were missing or did not work and CNP personnel ‘approved’ the reports assuming the system was verifying the information correctly.

In addition, we noted the following issue during our internal control testwork for Part A/B:

Two claims (September 2018 and October 2018) were overpaid totaling \$7,401.36 because the CARS system paid the meals at both the regular breakfast rate and the severe needs breakfast rate (which the SFA was not eligible for since it was their first year).

Lastly, we noted the following issue during our testwork for Part A/B:

*Duplicate Payments:* While performing duplicate testing on Child Nutrition 340 fund payments processed through the Claims Applications and Review System (CARS), we found 38 duplicate payments totaling \$729,115.11 related to August through October 2018 claims. OSDE personnel did not identify the August and September duplicate payments totaling \$688,239.89 when manually processing the claims for payment and only became aware of the issue when one school district returned an uncashed paper warrant which led to OSDE subsequently identifying the other duplicate payments for August and September. In addition, it appears that the August and September duplicate payments were not recouped in a timely manner. The October duplicate payments totaling \$40,875.22 were identified by OSDE during the initial claim processing on February 5, 2019 because the voucher totals did not match the file sent to the mainframe.

**Cause:** Adequate system controls were not in place to ensure claims were paid appropriately during the early stages of CARS implementation and an adequate review process was not in place to ensure manual claims were processed correctly without being duplicated and recoupments were processed timely.

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Lastly, adequate controls over the review of the *Verification Summary Report* were not in place to ensure the CARS system edits were working appropriately.

**Effect:** Failure to ensure the CARS system is working appropriately could result in further duplicates, undetected overpayments to school districts, and inaccurate data reported. In addition, the duplicate payments of \$729,115.11 for Child Nutrition have all been recouped from subrecipients.

**Recommendation:** We recommend that OSDE develop policies and procedures to ensure the CARS system is working appropriately to ensure all Child Nutrition claims are being paid correctly and that all *Verification Summary Reports* include accurate data. Also, we recommend that OSDE review all claims processed manually to ensure that additional overpayments are not made.

### **Views of Responsible Official(s)**

**Contact Person:** Jennifer Weber, Executive Director and Laura Meissner, Director of Finance

**Anticipated Completion Date:** 4/1/2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-005 (Repeat 2018-033)

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Agriculture (USDA)

**CFDA NO:** 10.553, 10.555, and 10.556

**FEDERAL PROGRAM NAME:** Child Nutrition Cluster

**FEDERAL AWARD NUMBER:** 60K300329

**FEDERAL AWARD YEAR:** 2019

**CONTROL CATEGORY:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement, Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions – Paid Lunch Equity

**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 § 210.18(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. Additionally, the State agency must have on file:

- (1) Criteria for selecting schools for administrative reviews in accordance with paragraphs (e)(2)(ii) and (i)(2)(ii) of this section.
- (2) Documentation demonstrating compliance with the statistical sampling requirements in accordance with paragraph (g)(1)(i) of this section, if applicable.”

**Condition and Context:** We noted while testing the individual Administrative Reviews (ARs), that controls were not designed or implemented: policies and procedures backing up the reviews were not applied consistently and, OSDE has not maintained adequate supporting documentation that would enable a reviewer to confirm that the consultant performed the School Food Authority (SFA) Administrative Review appropriately and to confirm that the consultant’s conclusions were valid.

Since OSDE did not maintain supporting documentation of the Administrative reviews, we requested the information directly from the sites. While testing 33 out of the 187 Child Nutrition Program Administrative Reviews, we did not receive supporting records from the SFA and we were unable to verify some of the information recorded by the consultants on the Administrative Review; specifically:

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- For 4 out of 33, or 12.12% of Administrative Reviews tested, we did not receive the supporting meal count records for the day of the on-site review.
- For 3 out of 33, or 9.09% of Administrative Reviews tested, we did not receive the supporting menu records for the day of the on-site review.
- For 2 out of 33, or 6.06% of Administrative Reviews tested, we did not receive the SFA's site monitoring records.
- For 1 out of 33, or 3.03% of Administrative Reviews tested, we did not receive the Family Size Income Application for one of the two applications requested from the school.
- For 8 out of 13, or 61.54% of Administrative Reviews tested which contracted with Food Service Management Companies (FSMC), we did not receive the supporting contract invoices for the claim month reviewed and were unable to verify that the meal counts on the FSMC invoice agree with the meal counts for the review month, or that the rate charged on the FSMC invoice is calculated correctly and agrees with the approved rate in the FSMC contract.
- For 1 out of 33, or 3.03% of Administrative Reviews tested, it appears that the procurement Tool was not completed.

In addition, for the Administrative Review documentation that could be tested we noted the following:

- For 3 out of 29, or 10.71% of Administrative Reviews tested for which we received supporting meal count records for the day of the on-site review, it appears that the supporting meal count records do not agree with the meal counts recorded on the AR.
- For 7 out of 30, or 23.33% of Administrative Reviews tested for which we received supporting menu/food production records for the day of the on-site review, it appears that the supporting records do not agree with the menu items recorded on the AR.
- For 5 out of 33, or 15.15 % of Administrative Reviews tested, it appears that the supporting meal count records do not agree with the meal counts recorded on the AR applicable to the claim month reviewed.
- For 1 out of 6, or 16.67% of Administrative Reviews tested for which the SFA was participating in the Community Eligibility Provision program, it appears that the supporting documentation used to determine the SFA's CEP status was not approved appropriately.
- For 12 out of 13, or 92.31% of Administrative Reviews tested for which the SFA was subject to paid lunch equity requirements (pricing SFA), it appears that OSDE did not perform adequate procedures (calculations) to verify compliance with the following Paid Lunch Equity requirements during the AR:
  - The SFA is actually charging students the required paid lunch price in accordance with the results of the PLE.
  - The SFA met the (PLE) equity requirement by furnishing additional funds from non-Federal sources.
  - The amount of non-Federal funds provided was sufficient to cover the difference between the amount calculated by the SFA on the approved PLE Tool and the amount actually charged for paid lunches.
- For 2 out of 33, or 6.06 % of Administrative Reviews tested, it appears that adequate procedures were not performed applicable to the FSMC portion of the Procurement Tool.

Lastly, we determined that OSDE does not have adequate risk assessment procedures to identify high risk claims, and does not have adequate claim review procedures to in order to ensure compliance with the following requirements:

- Activities Allowed/Allowable Costs
- Eligibility (Individual participant eligibility, Categorical eligibility)
- Procurement

**Cause:** We determined that high turnover, lack of risk assessment, and a lack of understanding of some of the compliance requirements, as well as a lack of adequate design and implementation of internal controls, contributed to the deficiencies noted.

**Effect:** Consultants may not be conducting the Administrative Reviews appropriately to ensure subrecipient noncompliance issues are accurately detected since appropriate documentation is not maintained.



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Subrecipient noncompliance and overclaims may not be detected or prevented due to inadequate procedures for verifying compliance with procurement requirements, paid lunch equity requirements and CEP program claiming percentages.

**Recommendation:** We recommend that OSDE develop adequate policies and procedures/controls to ensure sufficient documentation is obtained and maintained by OSDE for all Administrative Reviews that would allow internal or external reviewers to evaluate whether the tests performed are appropriate and accurate, and whether the analysis conducted, and conclusions reached, by the consultants are valid. We recommend that OSDE develop policies and procedures/controls to ensure that all Administrative Reviews are adequately reviewed based on the documentation maintained.

We recommend that OSDE develop adequate policies and procedures/controls to ensure that amounts paid in relation to FSMC contracts are correct, and claiming percentages for CEP are calculated appropriately. In addition, we recommend that OSDE develop adequate policies and procedures/controls to ensure that adequate risk assessments are performed to identify high risk claims.

### **Views of Responsible Official(s)**

**Contact Person:** Jennifer Weber, Executive Director

**Anticipated Completion Date:** 7/1/2020, FY 21

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-006 (Repeat 2018-033)

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Agriculture (USDA)

**CFDA NO:** 10.559

**FEDERAL PROGRAM NAME:** Child Nutrition Cluster

**FEDERAL AWARD NUMBER:** 60K300329

**FEDERAL AWARD YEAR:** 2019

**CONTROL CATEGORY:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement

**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 § 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:

(1)*Pre-approval visits.* The State agency shall conduct pre-approval visits of sponsors and sites, as specified below, to assess the applicant sponsor's or site's potential for successful Program operations and to verify information provided in the application. The State agency shall visit prior to approval:

(i) All applicant sponsors which did not participate in the program in the prior year. However, if a sponsor is a school food authority, has been reviewed by the State agency under the National School Lunch Program during the preceding 12 months, and had no significant deficiencies noted in that review, a pre-approval visit may be conducted at the discretion of the State agency. In addition, pre-approval visits of sponsors proposing to operate the Program during unanticipated school closures during the period from October through April (or at any time of the year in an area with a continuous school calendar) may be conducted at the discretion of the State agency;

(ii) All applicant sponsors which, as a result of operational problems noted in the prior year, the State agency has determined need a pre-approval visit; and

(iii) All sites which the State agency has determined need a pre-approval visit.

(2) *Sponsor and site reviews* -

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(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. In determining which sponsors and sites to review, the State agency must, at a minimum, consider the sponsors' and sites' previous participation in the Program, their current and previous Program performance, and the results of previous reviews of the sponsor and sites. When the same school food authority personnel administer this Program as well as the National School Lunch Program (7 CFR part 210), the State agency is not required to conduct a review of the Program in the same year in which the National School Lunch Program operations have been reviewed and determined to be satisfactory."

7 CFR § 225.7(d)(5) – *Program monitoring and assistance - Records* states in part, "Documentation of Program assistance and the results of such assistance shall be maintained on file by the State agency."

**Condition and Context:** We noted while testing the Summer Food Service Program (SFSP) Sponsor reviews that controls were not properly designed or implemented: policies and procedures backing up the reviews were not applied consistently and, OSDE is not maintaining adequate supporting documentation that would enable a reviewer to confirm that the consultant performed the SFSP Sponsor Review appropriately and to confirm that the consultant's conclusions were valid.

In addition, since OSDE did not maintain supporting documentation of the SFSP reviews, we requested the information directly from the SFSP sites. We noted the following issues while testing 17 out of the 171 SFSP Sponsor Reviews:

- For 6 out of 17, or 35.29% of Sponsor Review tested, we did not receive any of the supporting Sponsor or Site records and we were unable to verify the applicable information recorded on the Sponsor Review. Of those 6 Sponsor Review, 2 had Food Service Management Company (FSMC) procurement contracts with the SFA, and were unable to verify the supporting contract invoices for the claim month reviewed, were unable to verify that the meal counts on the FSMC invoice agree with the meal counts for the review month, and that the rate charged on the FSMC invoice is calculated correctly and agrees with the approved rate in the FSMC contract.
- For 12 out of 17, or 70.59% of Sponsor Reviews tested, it appears that the OSDE consultant did not verify at least one claim month for the sponsor and/or site visited. Of the remaining 5 Sponsor Reviews in which the OSDE consultant did verify at least one claim month, we only received supporting records for 3 out of the 5 claims. Therefore, we were only able to verify that the Sponsor or Site records agreed with the information recorded on the Sponsor Review for at least one claim month for 3 out of 17, or 17.65% of Sponsor Reviews tested.
- For 3 out of 17, or 17.65% of Sponsor Reviews tested, it appears that the consultant did not physically observe a meal service and, could not perform an appropriate comparison of physically observed meal counts to claimed meal counts.
- For 8 out of 17, or 47.06% of Sponsor Reviews tested, it appears that the 5-day reconciliation procedures were inadequately performed by the consultant.
- For 1 out of 17 or 5.88% for which we received supporting records, it appears that we did not receive the supporting site daily meal count records and could not verify that the site daily meal count records agree with the counts recorded by the consultant on the sponsor review.
- For 1 out of 17 or 5.88% for which we received supporting records, it appears that we did not receive the site monitoring records and could not verify that the site monitoring records agree with the information recorded by the consultant on the sponsor review.

In addition, we noted the following issues that indicate that the site caps approved are not appropriate for the average number of participants per site:

- For 11 out of 17, or 64.71% of sites reviewed, it appears that the average daily participation (ADP) for the site is significantly disproportionate (less than 50%) of the approved site cap.
- For 4 out of 17, or 23.53% of sites reviewed, it appears that the average daily participation (ADP) for the site is materially disproportionate (between 50 and 75%) of the approved site cap.

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- For 10 out of 14, or 71.43% of sites for which a meal service was observed, it appears that the number of 1st meals served on the day of the site visit was less than the average daily participation (based on all days of operation for 2018).

We noted that for 1 out of 5, or 20% of Sponsor Reviews tested in which the Sponsor had multiple sites, it appears that the Sponsor did not perform the appropriate site monitoring.

Lastly, we determined that OSDE does not have adequate risk assessment procedures to identify high risk claims, and does not have adequate claim review procedures to in order to ensure compliance with the following requirements:

- Activities Allowed/Allowable Costs
- Eligibility (Individual participant eligibility, Categorical eligibility)

**Cause:** We determined that high employee turnover, lack of risk assessments, and a lack of understanding of some of the compliance requirements, as well as a lack of adequate design and implementation of internal controls, contributed to the deficiencies noted.

**Effect:** Consultants may not be conducting the Sponsor Reviews appropriately to ensure subrecipient noncompliance issues are accurately detected since appropriate documentation is not maintained.

Subrecipient noncompliance and overclaims may not be detected or prevented due to inadequate procedures for verifying actual meal counts and for appropriately reviewing an adequate number of monthly claims.

In addition, significant overclaims may not be prevented due to inflated site caps. While it is reasonable to approve site caps that are in excess of the average daily participation due to the fluctuations in the attendance for summer programs, there are not adequate procedures in place to ensure site caps are reasonable and limit the possibility for overclaims.

**Recommendation:** We recommend that OSDE develop adequate policies and procedures/controls to ensure sufficient documentation is obtained and maintained by OSDE for all SFSP Sponsor Reviews that would allow internal or external reviewers to evaluate whether the tests performed are appropriate and accurate, and whether the analysis conducted, and conclusions reached, by the consultants are valid. We recommend that OSDE develop policies and procedures/controls to ensure that all SFSP Sponsor reviews are adequately reviewed based on the documentation maintained.

We also recommend that OSDE develop adequate policies and procedures/controls to ensure that an adequate number of monthly claims are reviewed and, that adequate risk assessments are performed to identify high risk claims and to ensure site caps are set at appropriate levels.

### **Views of Responsible Official(s)**

**Contact Person:** Jennifer Weber, Executive Director

**Anticipated Completion Date:** 5/15/2020, summer 2020 program year

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-010 (Repeat 2018-019)

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Education (USDE)

**CFDA NO:** 84.010

**FEDERAL PROGRAM NAME:** Title I, Part A Grants to Local Educational Agencies

**FEDERAL AWARD NUMBER:** S010A180036

**FEDERAL AWARD YEAR:** 2019

**CONTROL CATEGORY:** Special Tests and Provisions – Assessment System Security

**QUESTIONED COSTS:** \$0

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**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.”

20 U.S. Code § 6311. *State plans states in part*,

“(b) Academic standards, academic assessments, and accountability

(3) Academic assessments

(C) Requirements

(iii) be used for purposes for which such assessments are valid and reliable, and be consistent with relevant, nationally recognized professional and technical standards”

OAC § 210:10-13-21(a) *Academic Assessment Monitoring Program (AAMP) – Purpose states in part*, “The Oklahoma State Department of Education (OSDE) shall establish and implement the Academic Assessment Monitoring Program (AAMP) to evaluate school district implementation and compliance with both Federal and State law and regulations related to academic assessments. The rules will bring the state into compliance with the following state and federal statutes and regulations:

(5) This monitoring program is intended to:

(A) Ensure the testing of all eligible students, proper training of school district staff is conducted, test security is maintained, assessments are administered consistently and in a uniform manner as mandated in the Oklahoma Administrative Code (OAC) sections 210:10-13-2, 4, 6, 7, 9, 10, and 11.”

OAC § 210:10-13-21(e) *Academic Assessment Monitoring Program (AAMP) – Monitoring Procedures states in part*, “(2) Desk monitoring.

(D) District Superintendents and District Test Coordinators of the school district to be monitored will receive a Desk Monitoring Checklist, ten (10) working days before the opening of the testing window. The section of the checklist titled, "District Provided Documentation" must be completed and documents returned to the Office of Accountability and Assessments of the Oklahoma State Department of Education within twenty (20) working days from the last testing day of the assessment window.”

OAC § 210:10-13-21(f) (1) *Failure to comply with state and federal regulations related to Academic Assessment states*,

“(1) The Office of Accountability and Assessments will provide monitoring results to the district superintendent. The monitoring results will inform a district that they have met or not met requirements of Subsection (a) of these rules related to student academic testing. Districts will be designated as in compliance if all requirements have been met, or if any monitored area is found deficient then the district and the school will be designated as noncompliant. If a district is designated as noncompliant, the Office of Accountability and Assessment staff will annually conduct monitoring activities until the district is in compliant status.

(2) Districts that remain in noncompliance for two consecutive years will receive a deficiency on their accreditation report.”

**Condition and Context:** During our review of controls over the *Monitoring Progress Spreadsheet*, we determined that OSDE does not have written policies and procedures for the following:

1. Determining when desk or on-site monitoring needs to be completed by;
2. Determining when compliance/noncompliance letters need to be sent to the district after monitoring is completed;
3. How a site is determined to be conditional compliant;
4. What would determine if a school needs to complete a corrective action plan;
5. Procedures between the Office of Assessments and the Office of Accreditation when a site receives a deficiency on the accreditation report.

During our testing of 39 of 256 FY 2019 Monitored sites, we noted the following issues:

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- For three sites, the site was marked as Conditional Compliant; however, documentation of training records was not provided to OSDE, the site should have been marked as Noncompliant, scheduled to be re-monitored in FY20, and not put back in the 5-year monitoring cycle.
- For four sites, the site was marked as Conditional Compliant to Compliant; however, either documentation of times the testing sessions are scheduled to begin was not provided or training documents were missing, and they were found non-compliant in their IEP/504 checks. Therefore, they should have been marked as Noncompliant, scheduled to be re-monitored in FY20, and not put back in the 5-year monitoring cycle.
- For one site, training records and a non-disclosure form were missing for one person; therefore, they should have received a status of Noncompliant. The SEA did not observe documentation that proctors and administrators completing the training prior to the testing sessions.
- For two sites, the site was missing training records; therefore, OSDE sent a Conditional Compliant letter on 10/2/2019, in response to which the site sent additional documentation to OSDE on 10/3/2019 that was not reviewed until 12/12/2019, and the site was not notified of their compliance until 1/8/2020. This action taken by OSDE well into the FY20 school year, was not timely and did not allow for adequate notification of re-monitoring if they would have been found Noncompliant.
- For two sites, we did not receive the Corrective Action Plan for the site and/or we did not receive evidence of all training records. Therefore, we are unable to determine if the site reached compliance.
- For one site, the Conditional Compliance Letter sent to the site indicated that test administrators and test proctors were trained after tests were administered; therefore, they should have been marked as Noncompliant.
- For one site, the site was given a status of Compliant; however, the checklist states that a training record for a test proctor was missing and no documentation was received for it. This site should have received a status of Noncompliant.

During our testing of 21 of 55 prior year noncompliant sites, we noted that 14 sites were not listed on the 2019 Monitoring Spreadsheet; therefore, they were not followed up on. However, of those 14 sites, OSDE changed the status of 12 sites to Conditional Compliant and scheduled them be monitored again in FY2020; the other two sites were dropped from the schedule entirely. We determined that it is not appropriate for OSDE to have moved the 12 sites to the FY20 monitoring cycle because Conditional Compliant status indicates that they do consider these sites to be higher risk since they were not moved to their regular five-year cycle, and therefore, should have been re-monitored in FY19.

During our testing of 2 of 12 sites that were noncompliant for two consecutive years, we noted that for one site, the site did not receive a deficiency on their accreditation report as required.

**Cause:** The Department does not have adequate policies and procedures relating to when monitoring will be performed and when follow-up should be completed (compliance/noncompliance letters). In addition, the Department does not have adequate controls in place to ensure all desk and on-site monitoring is completed and properly supported. Lastly, OSDE does not have an adequate tracking mechanism to ensure monitoring is completed and reviewed appropriately.

**Effect:** The failure to ensure that 1) policies and procedures related to test security are in place for LEAs, 2) all districts are monitored and followed up on in the year required based on findings, and 3) LEA implemented appropriate test security measures, which could result in testing violations.

**Recommendation:** We recommend that OSDE develop and/or strengthen policies and procedures to ensure:

- 1) Clear timelines exist for when desk or on-site monitoring are due to be completed and when compliance/noncompliance letters are due to be sent to the district.
- 2) That findings are clearly defined as to the severity of each type, and when each type of finding is due to be followed up on or when conditional compliance can be given.
- 3) That the Office of Assessments and the Office of Accreditation properly follow-up when a site receives noncompliance for two consecutive years and should have been listed as such on the accreditation report.
- 4) Controls exist over proper review and approval of desk and on-site monitoring checklists to ensure compliance with test security.

## Schedule of Findings And Questioned Costs

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*Views of Responsible Official(s)*

**Contact Person:** Craig Walker

**Anticipated Completion Date:** September 31<sup>st</sup>, 2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-034

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Education (USDE)

**CFDA NO:** 84.010 and 84.367

**FEDERAL PROGRAM NAME:** Title I Grants to Local Educational Agencies; Supporting Effective Instruction State Grant

**FEDERAL AWARD NUMBER:** S010A180036; S367A180035

**FEDERAL AWARD YEAR:** 2019

**CONTROL CATEGORY:** Subrecipient Monitoring

**QUESTIONED COSTS:** \$0

**Criteria:** 2 CFR § 200.331 - *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.”

**Condition and Context:** While performing testwork on the 17 prior year non-compliant sites to see if they were appropriately followed up on, we determined that the 7 districts with the lowest risk assessment scores were determined to need no further monitoring. The remaining 10 districts that failed consolidated monitoring and had the highest risk assessment scores, were assigned a corrective action plan. However, the corrective action plans are collected and saved in OSDE’s files but are not followed up on until the district is scheduled to be monitored again in the next three-year cycle.

**Cause:** OSDE does not have adequate policies and procedures in place to determine which risks or findings require immediate attention and should be re-monitored timely, which ones can be followed up on later through corrective action plans, and which ones need no follow-up.

**Effect:** The Department did not meet 2 CFR § 200.331 (d)(2) since there are no policies and procedures in place on how each non-compliant site will be followed up on. In addition, failure to adequately follow up and ensure that the LEAs take timely and appropriate action on all deficiencies pertaining to the Federal award could result in Federal funds being paid to LEAs that are not in compliance with Federal statutes, regulations, and the terms and conditions of the award.

**Recommendation:** We recommend OSDE develop policies and procedures related to risk assessment scoring to determine when the risks or findings are severe enough that a site needs to be re-monitored in a timely manner, or when a corrective action plan or other means of follow-up would suffice.

*Views of Responsible Official(s)*

**Contact Person:** Gloria Bayouth

**Anticipated Completion Date:** July 2019

## Schedule of Findings And Questioned Costs

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**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-035 (Repeat 2018-078)

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Education (USDE)

**CFDA NO:** 84.010

**FEDERAL PROGRAM NAME:** Title I Grants to Local Educational Agencies

**FEDERAL AWARD NUMBER:** S010A180036

**FEDERAL AWARD YEAR:** 2019

**CONTROL CATEGORY:** Special Tests and Provisions – Participation of Private School Children

**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.”

34 CFR 200.62 - *Responsibilities for providing services to private school children* states,

“(a) After timely and meaningful consultation with appropriate officials of private schools, an LEA must -

(1) In accordance with §§ 200.62 through 200.67 and section 1120 of the ESEA, provide special educational services or other benefits under subpart A of this part, on an equitable basis and in a timely manner, to eligible children who are enrolled in private elementary and secondary schools; and

(2) Ensure that teachers and families of participating private school children participate on a basis equitable to the participation of teachers and families of public school children receiving these services in accordance with § 200.65.

(b) (1) Eligible private school children are children who -

(i) Reside in participating public school attendance areas of the LEA, regardless of whether the private school they attend is located in the LEA; and

(ii) Meet the criteria in section 1115(b) of the ESEA.

(2) Among the eligible private school children, the LEA must select children to participate, consistent with § 200.64.

(c) The services and other benefits an LEA provides under this section must be secular, neutral and nonideological.”

34 CFR 200.64 - *Factors for determining equitable participation of private school children* states in part,

“(a) *Equal expenditures.*

(1) Funds expended by an LEA under subpart A of this part for services for eligible private school children in the aggregate must be equal to the amount of funds generated by private school children from low-income families under paragraph (a)(2) of this section.

(2) An LEA must meet this requirement as follows:

(i) (A) If the LEA reserves funds under § 200.77 to provide instructional and related activities for public elementary or secondary school students at the district level, the LEA must also provide from those funds, as applicable, equitable services to eligible private school children.

(B) The amount of funds available to provide equitable services from the applicable reserved funds must be proportionate to the number of private school children from low-income families residing in participating public school attendance areas.

(ii) The LEA must reserve the funds generated by private school children under § 200.78 and, in consultation with appropriate officials of the private schools, may -

(A) Combine those amounts, along with funds under paragraph (a)(2)(i) of this section, if appropriate, to create a pool of funds from which the LEA provides equitable services to eligible private school children, in the aggregate, in greatest need of those services; or

(B) Provide equitable services to eligible children in each private school with the funds generated by children from low-income families under § 200.78 who attend that private school.

## Schedule of Findings And Questioned Costs

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(b) *Services on an equitable basis.*

- (1) The services that an LEA provides to eligible private school children must be equitable in comparison to the services and other benefits that the LEA provides to public school children participating under subpart A of this part.
- (2) Services are equitable if the LEA -
  - (i) Addresses and assesses the specific needs and educational progress of eligible private school children on a comparable basis as public school children;
  - (ii) Meets the equal expenditure requirements under paragraph (a) of section; and
  - (iii) Provides private school children with an opportunity to participate that -
    - (A) Is equitable to the opportunity provided to public school children; and
    - (B) Provides reasonable promise of the private school children achieving the high levels called for by the State's student academic achievement standards or equivalent standards applicable to the private school children."

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.”

According to the *Title I Non-Regulatory Guidance: Fiscal Changes and Equitable Services Requirements section N-7*, the following provisions are applicable for private school carry-over funds:

“In general, to ensure that equitable services are provided in a timely manner, an LEA must obligate the funds allocated for equitable services under all applicable programs in the year for which they are appropriated. (ESEA sections 1117(a)(4)(B) and 8501(a)(4)(B).) There may be extenuating circumstances, however, in which an LEA is unable to obligate all funds within this timeframe in a responsible manner. Under these circumstances, the funds may remain available for the provision of equitable services under the respective program during the subsequent school year. In determining how such carryover funds will be used, the LEA must consult with appropriate private school officials. (ESEA sections 1117(b) and 8501(c).)”

**Condition and Context:** While documenting controls over Participation of Private School Children under Title I Part A, we noted that OSDE does not have adequate policies or procedures in place to verify that 1) equitable services for private school students were actually provided, and 2) funds allocated for equitable services are obligated in the year for which they were appropriated, or adequate verification of extenuating circumstances is documented for amounts that should have been used to provide services to private school children in the current year but are carried forward to be used to provide services to private school children in the following year .

In addition, while performing testwork on our sample of 4 of the 17 LEA's that provide program services for equitable participation of private school children under Title I Part A, we noted the following issues:

- For two LEAs, the private school information on the Low-Income Step #4 calculation in the Title IA application along with the private school packets did not agree with the Participating Private Schools tracking spreadsheet, and the discrepancies were not identified in the review process;
- For three LEAs, the amount budgeted for Title IA private schools is less than the current year allocation amount calculated by GMS plus prior year carryover amounts, and the discrepancies were not identified in the review process;
- For two LEAs, the set aside amount was less than the amount required;
- For four LEAs, all private school educational services that were planned were not provided;
- For three LEAs, funds allocated for equitable services were not obligated in the year for which they were appropriated and, the LEAs did not have appropriate extenuating circumstances related to the amount of unobligated funds;



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- For one LEA, funds allocated for equitable services were not obligated in the year for which they were appropriated and, had extenuating circumstances but carried over less than the amount allowed per waiver request, and
- For two LEAs, private school equitable services were not determined correctly.

**Cause:** OSDE does not have adequate policies and procedures to verify the following:

- All participating private school children are included in the allocation process;
- Equitable services or set asides for private school students were determined correctly and actually provided, and
- Funds allocated for equitable services or set-asides are correctly calculated and obligated in the year for which they were appropriated, or, adequate verification of extenuating circumstances is documented for amounts carried forward in the following year.

Also, it appears that discrepancies in the Consolidated Applications were not identified due to inadequate review procedures.

**Effect:** Inadequate policies and procedures and an inadequate review process could result in a failure to correctly fund and provide equitable services to Private/ Nonpublic School children.

**Recommendation:** We recommend that OSDE continue to work to strengthen their policies and procedures to verify the following:

- All participating private school children are included in the allocation process;
- Equitable services or set-asides for private school students are actually provided; and
- Funds allocated for equitable services are obligated in the year for which they were appropriated, or, adequate verification of extenuating circumstances is documented for amounts carried forward in the following year.

### **Views of Responsible Official(s)**

**Contact Person:** Gloria Bayouth

**Anticipated Completion Date:** July 2019

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-036 (Repeat 2018-080)

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Education (USDE)

**CFDA NO:** 84.367

**FEDERAL PROGRAM NAME:** Supporting Effective Instruction State Grant

**FEDERAL AWARD NUMBER:** S367A180035

**FEDERAL AWARD YEAR:** 2019

**CONTROL CATEGORY:** Special Tests and Provisions – Participation of Private School Children

**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.”

34 CFR 200.62 - *Responsibilities for providing services to private school children* states,

- “(a) After timely and meaningful consultation with appropriate officials of private schools, an LEA must -
- (1) In accordance with §§ 200.62 through 200.67 and section 1120 of the ESEA, provide special educational services or other benefits under subpart A of this part, on an equitable basis and in a timely manner, to eligible children who are enrolled in private elementary and secondary schools; and

## Schedule of Findings And Questioned Costs

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- (2) Ensure that teachers and families of participating private school children participate on a basis equitable to the participation of teachers and families of public school children receiving these services in accordance with § 200.65.
- (b) (1) Eligible private school children are children who -
- (i) Reside in participating public school attendance areas of the LEA, regardless of whether the private school they attend is located in the LEA; and
  - (ii) Meet the criteria in section 1115(b) of the ESEA.
- (2) Among the eligible private school children, the LEA must select children to participate, consistent with § 200.64.
- (c) The services and other benefits an LEA provides under this section must be secular, neutral and nonideological.”

34 CFR § 299.7 *What are the factors for determining equitable participation of children and teachers in private schools? – states,*

“(a) *Equal expenditures.*

(1) Expenditures of funds made by an agency or consortium of agencies under a program listed in § 299.6 (b) for services for eligible private school children and their teachers and other educational personnel must be equal on a per-pupil basis to the amount of funds expended for participating public school children and their teachers and other educational personnel, taking into account the number and educational needs of those children and their teachers and other educational personnel.

(2) Before determining equal expenditures under paragraph (a)(1) of this section, an agency or consortium of agencies shall pay for the reasonable and necessary administrative costs of providing services to public and private school children and their teachers and other educational personnel from the agency's or consortium of agencies' total allocation of funds under the applicable ESEA program.

(b) *Services on an equitable basis.*

(1) The services that an agency or consortium of agencies provides to eligible private school children and their teachers and other educational personnel must also be equitable in comparison to the services and other benefits provided to public school children and their teachers or other educational personnel participating in a program under this subpart.”

According to the *Title II Non-Regulatory Guidance*, the following provisions are applicable for private school carry-over funds:

“In general, to ensure that equitable services are provided in a timely manner, an LEA must obligate the funds allocated for equitable services under all applicable programs in the year for which they are appropriated. (ESEA sections 1117(a)(4)(B) and 8501(a)(4)(B).) There may be extenuating circumstances, however, in which an LEA is unable to obligate all funds within this timeframe in a responsible manner. Under these circumstances, the funds may remain available for the provision of equitable services under the respective program during the subsequent school year. In determining how such carryover funds will be used, the LEA must consult with appropriate private school officials. (ESEA sections 1117(b) and 8501(c).)”

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.”

20 U.S. Code § 7881(a)(4). *Participation by private school children and teachers – Private School Participation – Expenditures*

– states:

“(B) Obligation of funds

Funds allocated to a local educational agency for educational services and other benefits to eligible private school children shall be obligated in the fiscal year for which the funds are received by the agency.”

## Schedule of Findings And Questioned Costs

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The U.S. Department of Education publication *Title II, Part A – Teacher and Principal Training and Recruiting Fund Equitable Services to Private School Teachers*, states in part:

“G-2. What is meant by “equitable participation?”

Participation is considered to be equitable if the public and private educational agencies and institutions: (1) assess, address, and evaluate the needs and progress of both groups of teachers in the same manner; (2) provide approximately the same amount of training and, where appropriate, instruction to teachers with similar needs; (3) spend an equal amount of funds per student to serve public and private school teachers; and (4) provide private school teachers with an opportunity to participate in Title II, Part A program activities equivalent to the opportunity provided public school teachers.....

G-9. Must the expenditures that the LEA provides for professional development for private school teachers be equal on a per-pupil basis?

Title IX, Section 9501 of ESEA requires that Title II, Part A services for professional development that are provided to private school teachers and other educational personnel be equitable in comparison to those provided to public school teachers. It also requires that funds provided for professional development for private school teachers be equal on a per-pupil basis.”

**Condition and Context:** While documenting controls over Participation of Private School Children under Title II Part A, we noted that OSDE does not have adequate policies or procedures in place to verify that 1) equitable services for private school students were actually provided, and 2) funds allocated for equitable services are obligated in the year for which they were appropriated, or adequate verification of extenuating circumstances is documented for amounts that should have been used to provide services to private school children in the current year but are carried forward to be used to provide services to private school children in the following year.

In addition, while performing testwork on our sample of 5 of the 27 LEA’s that provide program services for equitable participation of private school children under Title II Part A, we noted the following issues:

- For two LEAs, the private school information on the Private/Nonpublic Schools Share tab in the Title IIA application does not agree with the Participating Private Schools tracking spreadsheet, and the amount budgeted for Title IIA private schools (account code 5500) does not agree with the amount calculated by the GMS on the Private /Nonpublic Schools share page of the Title IIA application and the review did not identify the discrepancy;
- For one LEA, the required amount was not set aside for private school children;
- For five LEAs, all private school educational services that were planned were not provided;
- For five LEAs, funds allocated for equitable services were not obligated in the year for which they were appropriated and, it also appears that the LEAs did not have appropriate extenuating circumstances related to the amount of unobligated funds;
- For three LEAs, expenditures are not equal on a per-pupil basis for public and private school students, teachers, and other educational personnel, taking into consideration their numbers and needs as required by 34 CFR section 299.7.

**Cause:** OSDE does not have adequate policies and procedures to review/verify the following:

- Private/ Nonpublic School allocations are calculated correctly, and the appropriate amounts are set aside for private school children;
- Equitable services for private school students were actually provided;
- Funds allocated for equitable services are obligated in the year for which they were appropriated, or adequate verification of extenuating circumstances is documented for amounts carried forward in the following year; and
- Amounts that should have been used to provide services to private school children in the current year are carried forward to be used to provide services to private school children in the following year.
- Expenditures are equal on a per-pupil basis for public and private school students, teachers, and other educational personnel.

Also, it appears that discrepancies in the Consolidated Applications were not identified due to inadequate review procedures.

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**Effect:** Inadequate policies and procedures and an inadequate review process could result in a failure to correctly fund and provide equitable services to Private/Nonpublic School children.

**Recommendation:** We recommend that OSDE continue to work to strengthen their policies and procedures to verify the following:

- Private/ Nonpublic School allocations are calculated correctly and, the appropriate amounts are set aside for private school children;
- Equitable services for private school students are actually provided, and
- Amounts that should have been used to provide services to private school children in the current year are carried forward to be used to provide services to private school children in the following year.
- Expenditures are equal on a per pupil basis public and private students, teachers, and other educational personnel.

**Views of Responsible Official(s)**

**Contact Person:** Gloria Bayouth

**Anticipated Completion Date:** July 2019

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-049 (Repeat 2018-017)

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Health and Human Services

**CFDA NO:** 84.010

**FEDERAL PROGRAM NAME:** Title I Grants to Local Educational Agencies (LEAs)

**FEDERAL AWARD NUMBER:** S010A180036

**FEDERAL AWARD YEAR:** 2019

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

**QUESTIONED COSTS:** \$0

**Criteria:** 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(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:** When testing 2 newly opened and 5 significantly expanding charter schools in FY 2019, we determined that the Federal programs department failed to use the correct administrative funds to determine the prior year’s hold-harmless base for new or significantly expanding charter school LEA’s. By not using the correct Basic, Concentration, Targeted, and Education Finance Incentive Grant (EFIG) administrative amounts, the hold-harmless base for the prior year was incorrect resulting in the allocation amount being incorrect.

**Cause:** The Federal programs department failed to correctly apply all compliance requirements. In addition, the federal programs area failed to perform an adequate review by not ensuring allocations for the current administrative funds were correct.

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**Effect:** One of the significantly expanding charter schools received \$87,634.50 less in allocations for 2019 than was required. The four remaining significant expanding charter schools received a total of \$525.07 more in allocations than was required for 2019. OSDE will revise the allocations for 2020 or 2021 for charter schools that had an incorrect allocation. It appears that the 2 newly opened charter school allocations were correctly allocated for 2019.

**Recommendation:** We recommend that OSDE continue to strengthen policies and procedures to ensure that the Basis, Concentration, Targeted, and EFIG administrative amounts that go into the hold-harmless base get updated to ensure all new and significantly expanding charter school allocations are correct. In addition, we recommend OSDE continue to strengthen their controls over the review and approval of allocations.

### **Views of Responsible Official(s)**

**Contact Person:** Nancy Hughes, Director of Finance

**Anticipated Completion Date:** July 2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-054

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Agriculture (USDA)

**CFDA NO:** 10.558

**FEDERAL PROGRAM NAME:** Child and Adult Care Food Program (CACFP)

**FEDERAL AWARD NUMBER:** 60K300330, 60K300349

**FEDERAL AWARD YEAR:** 2019

**CONTROL CATEGORY:** Procurement and Suspension and Debarment

**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 § 226.6(i) - *Standard contract* states, “Each State agency shall develop a standard contract in accordance with § 226.21 and provide for its use between institutions and food service management companies. The contract shall expressly and without exception stipulate:

- (1) The institution shall provide the food service management company with a list of the State agency approved child care centers, day care homes, adult day care centers, and outside-school-hours care centers to be furnished meals by the food service management company, and the number of meals, by type, to be delivered to each location;
- (2) The food service management company shall maintain such records (supported by invoices, receipts or other evidence) as the institution will need to meet its responsibilities under this part, and shall promptly submit invoices and delivery reports to the institution no less frequently than monthly;
- (3) The food service management company shall have Federal, State or local health certification for the plant in which it proposes to prepare meals for use in the Program, and it shall ensure that health and sanitation requirements are met at all times. In addition, the State agency may require the food service management company to provide for meals which it prepares to be periodically inspected by the local health department or an independent agency to determine bacteria levels in the meals being prepared. These bacteria levels shall conform to the standards which are applied by the local health authority with respect to the level of bacteria which may be present in meals prepared or served by other establishments in the locality. Results of these inspections shall be submitted to the institution and to the State agency;
- (4) The meals served under the contract shall conform to the cycle menus upon which the bid was based, and to menu changes agreed upon by the institution and food service management company;
- (5) The books and records of the food service management company pertaining to the institution's food service operation shall be available for inspection and audit by representatives of the State agency, of the Department, and of the U.S. General Accounting Office at any reasonable time and place, for a period of 3 years from the date

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of receipt of final payment under the contract, or in cases where an audit requested by the State agency or the Department remains unresolved, until such time as the audit is resolved;

(6) The food service management company shall operate in accordance with current Program regulations;

(7) The food service management company shall not be paid for meals which are delivered outside of the agreed upon delivery time, are spoiled or unwholesome at the time of delivery, or do not otherwise meet the meal requirements contained in the contract;

(8) Meals shall be delivered in accordance with a delivery schedule prescribed in the contract;

(9) Increases and decreases in the number of meal orders may be made by the institution, as needed, within a prior notice period mutually agreed upon in the contract;

(10) All meals served under the Program shall meet the requirements of § 226.20;

(11) All breakfasts, lunches, and suppers delivered for service in outside-school-hours care centers shall be unitized, with or without milk, unless the State agency determines that unitization would impair the effectiveness of food service operations. For meals delivered to child care centers and day care homes, the State agency may require unitization, with or without milk, of all breakfasts, lunches, and suppers only if the state agency has evidence which indicates that this requirement is necessary to ensure compliance with § 226.20.”

**Condition and Context:** While documenting controls over procurement we noted that OSDE’s contract template between CACFP institutions and Food Service Management Company (FSMC)/Vendors did not comply with all the required elements under 7 CFR § 226.6(i)(1-11). In addition, we noted that OSDE does not have appropriate policies and procedures to ensure contracts between CACFP institutions and Food Service Management Company/Vendors are properly reviewed by the State agency prior to execution of the contract.

We also noted that OSDE contract templates used by CACFP Institutions and sponsors for covered transactions do not include appropriate language to ensure that the non-Federal entity verified that entities are not suspended, debarred, or otherwise excluded.

**Cause:** We determined that a lack of understanding of some of the compliance requirements contributed to the deficiencies noted.

**Effect:** Failure to ensure contracts include all the required elements and are adequately reviewed could result in subrecipient noncompliance with contract and suspension and debarment requirements.

**Recommendation:** We recommend that OSDE develop adequate policies and procedures/controls to ensure 1) that contracts between CACFP institutions and FSMC/Vendor contain all required elements; 2) all contract templates used by CACFP Institutions and sponsors include appropriate language to ensure that the non-Federal entity verified that entities are not suspended, debarred, or otherwise excluded; and 3) contracts between CACFP institutions and FSMC/Vendor are properly reviewed by the State agency prior to execution of the contract.

### **Views of Responsible Official(s)**

**Contact Person:** Jennifer Weber, Executive Director

**Anticipated Completion Date:** FY 21, Oct. 2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-055 (Repeat 2018-015)

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Education (USDE)

**CFDA NO:** 84.010

**FEDERAL PROGRAM NAME:** Title I Grants to Local Educational Agencies

**FEDERAL AWARD NUMBER:** S010A180036

**FEDERAL AWARD YEAR:** 2019

**CONTROL CATEGORY:** Level of Effort – Supplement not Supplant

**QUESTIONED COSTS:** \$0

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**Criteria:** 20 U.S. Code § 6321 - *Fiscal requirements* states in part:

“(b) *Federal funds to supplement, not supplant, non-Federal funds* -

(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.”

**Condition and Context:** Although Local Educational Agencies (LEAs) agree to assurances through Grants Management System (GMS) to supplement, and not supplant, Federal funds, OSDE Federal Programs division was unable to verify and quantifiably demonstrate that LEAs actually allocated Federal funds to supplement, and not supplant, non-Federal funds used for Title I activities based on the methodologies used by the LEAs to demonstrate their compliance.

**Cause:** The program has not implemented appropriate procedures to quantifiably demonstrate that the methodology established by the LEA is in compliance with the *Level of Effort – Supplement not Supplant* requirements, due to staff turnover.

**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.

**Views of Responsible Official(s)**

**Contact Person:** Gloria Bayouth

**Anticipated Completion Date:** July 2019

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-056 (Repeat 2018-015)

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Education (USDE)

**CFDA NO:** 84.367

**FEDERAL PROGRAM NAME:** Supporting Effective Instruction State Grant

**FEDERAL AWARD NUMBER:** S367A180035

**FEDERAL AWARD YEAR:** 2019

**CONTROL CATEGORY:** Level of Effort – Supplement not Supplant

**QUESTIONED COSTS:** \$0

**Criteria:** 20 U.S. Code § 6691 – Supplement, not Supplant states, “Funds made available under this subchapter shall be used to supplement, and not supplant, non-Federal funds that would otherwise be used for activities authorized under this subchapter.”

## Schedule of Findings And Questioned Costs

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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:** Although Local Educational Agencies (LEAs) agree to assurances through GMS to supplement, and not supplant, federal funds, OSDE Federal Programs division was unable to verify and quantifiably demonstrate that LEAs actually used Federal funds to supplement, and not supplant, non-Federal funds used for activities under this grant.

**Cause:** OSDE has not implemented appropriate procedures to quantifiably demonstrate that Federal expenditures are in compliance with the *Level of Effort – Supplement not Supplant* requirements.

**Effect:** OSDE is unable to accurately identify if Federal funds are being used inappropriately to supplant funds from non-Federal sources as required by 20 U.S. Code § 6691.

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

**Views of Responsible Official(s)**

**Contact Person:** Gloria Bayouth

**Anticipated Completion Date:** January 2021

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-057 (Repeat 2018-034)

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Agriculture (USDA)

**CFDA NO:** 10.558

**FEDERAL PROGRAM NAME:** Child and Adult Care Food Program (CACFP)

**FEDERAL AWARD NUMBER:** 60K300330, 60K300349

**FEDERAL AWARD YEAR:** 2019

**CONTROL CATEGORY:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement, Suspension and Debarment

**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 § 226.6(k)(7) – *Administrative reviews of institutions and responsible principals and responsible individuals – Results of Administrative Reviews* states, “The State agency must maintain searchable records of all administrative reviews and their disposition.”

7 CFR § 226.6(m)(6) – *Program Assistance - Frequency and number of required institution reviews* states in part, “The State agency must review institutions according to the following schedule:

(i) Independent centers and sponsoring organizations of 1 to 100 facilities must be reviewed at least once every three years. A review of such a sponsoring organization must include reviews of 10 percent of the sponsoring organization's facilities;

(ii) Sponsoring organizations with more than 100 facilities must be reviewed at least once every two years. These reviews must include reviews of 5 percent of the first 1,000 facilities and 2.5 percent of the facilities in excess of 1,000; and



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(iii) New institutions that are sponsoring organizations of five or more facilities must be reviewed within the first 90 days of Program operations.”

7 CFR § 226.17 - *Child care center provisions* – states in part:

“... (b) All child care centers, independent or sponsored, shall meet the following requirements:

... (3) Each child care center participating in the Program must serve one or more of the following meal types - breakfast; lunch; supper; and snack. Reimbursement must not be claimed for more than two meals and one snack or one meal and two snacks provided daily to each child.

(4) Each child care center participating in the Program shall claim only the meal types specified in its approved application in accordance with the meal pattern requirements specified in § 226.20. For-profit child care centers may not claim reimbursement for meals served to children in any month in which less than 25 percent of the children in care (enrolled or licensed capacity, whichever is less) were eligible for free or reduced price meals or were title XX beneficiaries. However, children who only receive at-risk afterschool snacks and/or at-risk afterschool meals must not be included in this percentage. Menus and any other nutritional records required by the State agency shall be maintained to document compliance with such requirements.

...

8) Child care centers shall collect and maintain documentation of the enrollment of each child, including information used to determine eligibility for free and reduced price meals in accordance with § 226.23(e)(1). In addition, Head Start participants need only have a Head Start statement of income eligibility, or a statement of Head Start enrollment from an authorized Head Start representative, to be eligible for free meal benefits under the CACFP. Such documentation of enrollment must be updated annually, signed by a parent or legal guardian, and include information on each child's normal days and hours of care and the meals normally received while in care.

(9) Each child care center must maintain daily records of time of service meal counts by type (breakfast, lunch, supper, and snacks) served to enrolled children, and to adults performing labor necessary to the food service.

... (c) Each child care center shall comply with the recordkeeping requirements established in § 226.10(d), in paragraph (b) of this section and, if applicable, in § 226.15(e). Failure to maintain such records shall be grounds for the denial of reimbursement.”

**Condition and Context:** While testing the individual Child and Adult Daycare Center (CAC) Administrative Reviews (ARs), we noted that controls were not designed or implemented, policies and procedures backing up the reviews were not applied consistently, procedures performed were not consistent with the instructions for performing the CAC Administrative Review, and OSDE is not maintaining adequate supporting documentation that would enable a reviewer to confirm that the consultant performed the CAC AR appropriately and to confirm that the consultant’s conclusions were valid.

OSDE did not maintain supporting documentation for the CAC ARs; therefore, we requested the documentation directly from the Sponsors/Sites. We noted for 9 out of 51, or 17.65% of CAC ARs tested, we did not receive any of the supporting records from the CAC and we were unable to verify the applicable information recorded on the CAC Administrative Review.

For the 42 CAC ARs tested for which we received supporting records from the CAC Sponsor /Site; we noted the following:

- For 7 out 42, or 16.67% of ARs tested, we did not receive the supporting meal count records for the day of the on-site review.
- For 8 out 42, or 19.05% of ARs tested, we did not receive the supporting menu records for the day of the on-site review.
- For 5 out 42, or 11.90% of ARs tested, we did not receive the supporting CACFP rosters for the day of the on-site review.
- For 2 out of 42, or 4.76% of ARs tested, we did not receive the appropriate supporting meal count records applicable to the 5-day recon.
- For 14 out of 42, or 33.33% of ARs tested, we did not receive the appropriate supporting records applicable to claim month reviewed.

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- For 14 out of 42, or 33.33% of ARs tested, the supporting records did not agree with the AR for the on-site meal counts.
- For 3 out of 42, or 7.14% of ARs tested, the supporting records did not agree with the menu items recorded on the AR for the on-site meal observed.
- For 13 out of 42, or 30.95% of ARs tested, the supporting CACFP rosters did not agree with the AR for the day of the on-site visit.
- For 14 out of 42, or 33.33% of ARs tested, the supporting daily meal count records and/or food production records for the sites reviewed and/or the Sponsors consolidated meal counts do not agree with the counts recorded on the CAC Administrative Review for the claim month.
- For 9 out of 42, or 21.43% of ARs tested, there was a significant variance between the number of meals served on the day of the on-site visit and the number of meals claimed that were recorded on the 5 day reconciliation and, no follow-up review was performed to determine if there were possible overclaims.
- For 6 out of 42, or 14.29% of ARs tested, the supporting CACFP Rosters and/or enrollment records for the claim month reviewed do not agree with the information recorded on the Administrative Review.
- For 1 out of 42, or 2.38% of ARs tested, the supporting Sponsor Site Monitoring records do not agree with the information recorded on the Administrative Review.

For 1 out of 5, or 20% of ARs tested which had sponsors or sites that contracted with food service vendors or local public schools, we did not receive the supporting contract invoices for the claim month reviewed and were unable to verify that the meal counts on the contract invoice agree with the meal counts for the review month or, that the rate charged on the contract invoice is calculated correctly and agrees with the approved rate in the contract.

In addition, we noted the following issues related to inadequate procedures for the 51 CAC ARs tested:

- For 22 out of 51, or 43.14% of ARs tested, the 5- day reconciliation procedures were inadequately performed by the consultant and/or the supporting records do not agree with the AR.
- For 24 out of 51, or 47.06 %, of ARs tested, appropriate procedures were not performed by the Sponsor/Site, and meals were not disallowed when they should have been.

Lastly, we determined that OSDE does not have adequate risk assessment procedures to identify high risk claims, does not have adequate controls over the approval of multiple seating's per meal type, and does not have adequate claim review procedures in order to ensure compliance with the following requirements:

- Activities Allowed/Allowable Costs
- Eligibility (Individual participant eligibility, Categorical eligibility)

**Cause:** We determined that high turnover, lack of risk assessment, and a lack of understanding of some of the compliance requirements, as well as a lack of adequate design and implementation of internal controls, contributed to the deficiencies noted.

**Effect:** Consultants may not be conducting the ARs appropriately to ensure subrecipient noncompliance issues are accurately detected.

Subrecipient noncompliance and overclaims may not be detected or prevented due to inadequate procedures for verifying actual meal counts, for performing 5-day reconciliations, for appropriately disallowing all unallowable claims, for appropriately following-up on deficiencies noted and, for appropriately reviewing an adequate number of monthly claims. In addition, significant overclaims may not be prevented due to inadequate risk assessment procedures and inadequate controls over the approval of multiple seating's per meal type.

**Recommendation:** We recommend that OSDE develop adequate policies and procedures/controls to ensure sufficient information and documentation is obtained and maintained by OSDE for all CACFP ARs that would allow a reviewer to evaluate whether the tests performed are appropriate and accurate and, whether the analysis conducted, and conclusions reached, by the consultants are valid. In addition, we recommend that OSDE develop policies and procedures/controls to ensure that all SFSP Sponsor reviews are adequately reviewed based on the documentation maintained.

## Schedule of Findings And Questioned Costs

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Lastly, we also recommend that OSDE develop adequate policies and procedures/controls to ensure that an adequate number of monthly claims are reviewed and, that adequate risk assessments are performed to identify high risk claims and to ensure meal seating times and limits are set at appropriate levels.

### *Views of Responsible Official(s)*

**Contact Person:** Jennifer Weber, Executive Director

**Anticipated Completion Date:** 10/1/2020, FY 21

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-058 (Repeat 2018-034)

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Agriculture (USDA)

**CFDA NO:** 10.558

**FEDERAL PROGRAM NAME:** Child and Adult Care Food Program (CACFP)

**FEDERAL AWARD NUMBER:** 60K300330, 60K300349

**FEDERAL AWARD YEAR:** 2019

**CONTROL CATEGORY:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility

**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 § 226.6(k)(7) – *Administrative reviews of institutions and responsible principals and responsible individuals* – *Results of Administrative Reviews* states, “The State agency must maintain searchable records of all administrative reviews and their disposition.”

7 CFR § 226.6(m)(6) – *Program Assistance - Frequency and number of required institution reviews* states in part, “The State agency must review institutions according to the following schedule:

- (i) Independent centers and sponsoring organizations of 1 to 100 facilities must be reviewed at least once every three years. A review of such a sponsoring organization must include reviews of 10 percent of the sponsoring organization's facilities;
- (ii) Sponsoring organizations with more than 100 facilities must be reviewed at least once every two years. These reviews must include reviews of 5 percent of the first 1,000 facilities and 2.5 percent of the facilities in excess of 1,000; and
- (iii) New institutions that are sponsoring organizations of five or more facilities must be reviewed within the first 90 days of Program operations.”

7 CFR § 226.16 (g) & (h) - *Sponsoring Organization Provisions* states in part:

“(g) Each sponsoring organization electing to receive advance payments of program funds for day care homes shall disburse the full amount of such payments within five working days of receipt from the State agency...”

(h) Sponsoring organizations shall make payments of program funds to child care centers, adult day care centers, emergency shelters, at-risk afterschool care centers, or outside-school-hours care centers within five working days of receipt from the State agency, on the basis of the management plan approved by the State agency, and may not exceed the Program costs documented at each facility during any fiscal year; except in those States where the State agency has chosen the option to implement a meals times rates payment system. In those States which implement this optional method of reimbursement, such disbursements may not exceed the rates times the number of meals documented at each facility during any fiscal year.”

**Condition and Context:** We noted while testing the individual Family Day Care Home (FDCH) Administrative Reviews (ARs) that controls were not properly designed or implemented, policies and procedures backing up the reviews were not applied consistently, and OSDE is not maintaining adequate supporting documentation that would

## Schedule of Findings And Questioned Costs

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enable a reviewer to confirm that the consultant performed the CAC AR appropriately and to confirm that the consultant's conclusions were valid.

OSDE did not maintain supporting documentation for the FDCH Administrative Reviews; therefore, we requested the documentation directly from the Sponsor/Site. We noted for 1 out of 7, or 14.29% of FDCH Administrative Reviews tested, we did not receive any of the supporting records from the FDCH and we were unable to verify the applicable information recorded on the FDCH Administrative Review.

For the 6 FDCH Administrative Reviews tested for which we received supporting records from the FDCH Sponsor Site; we noted the following:

- For 1 out of 6, or 16.67% of FDCH Administrative Reviews tested, we did not receive all of the supporting CACFP rosters, FSIA and enrollment forms applicable for the day of the on-site review.
- For 3 out of 6, or 50.00% of FDCH Administrative Reviews tested, we did not receive all of the appropriate supporting meal count records applicable to the claim month reviewed.
- For 2 out of 6, or 33.34% of FDCH Administrative Reviews tested, we did not receive all of the appropriate supporting CACFP Rosters, FSIA and enrollment forms applicable to claim month reviewed.
- For 4 out of 6, or 66.67% of FDCH Administrative Reviews tested, it appears that the supporting records did not agree with the AR for the on-site meal counts.
- For 1 out of 6, or 16.67% of FDCH Administrative Reviews tested, it appears that the supporting CACFP rosters did not agree with the AR for the day of the on-site visit.
- For 2 out of 6 or 33.34% of FDCH Administrative Reviews tested, it appears that the supporting daily meal count records and/or food production records for the sites reviewed and/or the Sponsors consolidated meal counts do not agree with the counts recorded on the CACFP Administrative Review for the claim month.
- For 1 out of 6, or 16.67% of FDCH Administrative Reviews tested, it appears that the supporting CACFP Rosters, FSIA and enrollment forms for the claim month reviewed do not agree with the information recorded on the CACFP Administrative Review.

We noted the following issues related to inadequate procedures for the 7 FDCH Administrative Reviews tested:

- For 3 out of 7, or 42.86% of FDCH Administrative Reviews tested, it appears that an inadequate number of individual providers (homes) were reviewed. In addition, we noted that 4 providers were not home when the consultant arrived for the on-site visit and appropriate follow-up procedures were not performed by OSDE.
- For 3 out of 7, or 42.86% of FDCH Administrative Reviews tested, it appears that meals were not appropriately disallowed that were identified as unallowable.
- For 2 out of 7, or 28.57% of FDCH Administrative Reviews tested, it appears that overclaims were not identified by the consultant.
- For 1 out of 7, or 14.29% of FDCH Administrative Reviews, providers claimed meals that they were not approved for.

We noted that for 2 out of 2, or 100% of FDCH Administrative Reviews with serious deficiencies, it appears that the appropriate follow-up procedures were not followed and/or were inadequate.

In addition, we noted that the 5-day reconciliation procedures performed for FDCH Providers who claim shift meals were inadequate to determine if the provider was within the license capacity for all meals served, or if the provider was claiming in excess of daily meal limits per child.

Lastly, we also noted several instances where the procedures were not followed consistently, the procedures performed were not consistent with the instructions for performing the FDCH administrative Review, or the procedures performed were not adequate to identify overclaims.

**Cause:** We determined that high employee turnover, lack of risk assessments, lack of understanding of some of the compliance requirements, as well as a lack of adequate design and implementation of internal controls, contributed to the deficiencies noted.

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**Effect:** Consultants may not be conducting the Administrative Reviews appropriately to ensure subrecipient noncompliance issues are accurately detected since appropriate documentation is not maintained.

Subrecipient noncompliance and overclaims may not be detected or prevented due to inadequate procedures for verifying actual meal counts, for appropriately disallowing all unallowable claims, for ensuring an adequate number of provider claims are reviewed and, for appropriately following-up on deficiencies noted. In addition, significant overclaims may not be prevented due to inadequate controls over the approval of multiple seating's per meal type.

OSDE does not have adequate risk assessment procedures to identify high risk claims, and does not have adequate claim review procedures in order to ensure compliance with Activities Allowed/Allowable Costs and Eligibility (Individual participant eligibility, Categorical eligibility).

**Recommendation:** We recommend that OSDE develop adequate policies and procedures/controls to ensure sufficient information and documentation is obtained and maintained by OSDE for all CACFP Administrative Reviews that would allow a reviewer to evaluate whether the tests performed are appropriate and accurate and, whether the analysis conducted, and conclusions reached by the consultants are valid. We recommend that OSDE develop policies and procedures/controls to ensure that all SFSP Sponsor reviews are adequately reviewed based on the documentation maintained. We recommend that OSDE develop adequate policies and procedures/controls to ensure that the appropriate procedures for performing the FDCH Administrative Review are followed consistently and accurately.

We also recommend that OSDE develop adequate policies and procedures/controls to ensure that an adequate number of monthly claims are reviewed and, that adequate risk assessments are performed to identify high risk claims and to ensure meal seating times and limits are set at appropriate levels.

### **Views of Responsible Official(s)**

**Contact Person:** Jennifer Weber, Executive Director

**Anticipated Completion Date:** 10/1/2020, FY 21

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-059

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Agriculture (USDA)

**CFDA NO:** 10.558

**FEDERAL PROGRAM NAME:** Child and Adult Care Food Program (CACFP)

**FEDERAL AWARD NUMBER:** 60K300330, 60K300349

**FEDERAL AWARD YEAR:** 2019

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

**QUESTIONED COSTS:** \$22,543

**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 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.”

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The GAO Standards for Internal Control in the Federal Government 11.06 states in part, “Management designs appropriate types of control activities in the entity’s information system for coverage of information processing objectives for operational processes.”

The GAO Standards for Internal Control in the Federal Government 11.07 states, “Information system general controls (at the entity-wide, system, and application levels) are the policies and procedures that apply to all or a large segment of an entity’s information systems. General controls facilitate the proper operation of information systems by creating the environment for proper operation of application controls. General controls include security management, logical and physical access, configuration management, segregation of duties, and contingency planning.”

**Condition and Context:** While performing testwork for a sample of 48 out of 6,950 Child and Adult Daycare Center claims, we noted that one site claimed a total of \$21,769.84 for suppers over a period of three months when the site was not approved for suppers on the CACFP application.

While performing testwork for a sample of 12 out of 299 Family Day Care Homes (FDCH) claims, we noted that for five FDCH Sponsor claims, there were nine individual site claims that were paid for meals that exceeded approved seating limits, and site claims were paid for meal types not approved on the CACFP application resulting in overclaims totaling \$773.02.

**Cause:** We determined that a lack of appropriate eClaims system edits and are in place, and an inadequate review of CACFP site claims contributed to the deficiencies noted.

**Effect:** The CACFP eClaims system edits did not prevent the payment of claims for meal types that were not approved on the CACFP application. In addition, the CACFP eClaims system edits did not prevent the payment of claims for meals that exceed the meal seating limits in the approved application.

Subrecipient noncompliance and overclaims may not be detected or prevented due to inadequate procedures for verifying 1) that eClaims system edits are working appropriately, and 2) whether the edits are sufficient to prevent payment of claims for unapproved meals or for meals that exceed applicable limits.

**Recommendation:** We recommend that OSDE develop adequate policies and procedures/controls to ensure that eClaims system edits are properly designed and working appropriately to prevent overclaims. We also recommend that OSDE develop adequate policies and procedures/controls to ensure that CACFP site claims are adequately reviewed and, that adequate risk assessments are performed to identify high risk claims and to ensure meal seating times and limits are set at appropriate levels.

### **Views of Responsible Official(s)**

**Contact Person:** Jennifer Weber, Executive Director

**Anticipated Completion Date:** As soon as IT can determine the system failure for edits and push out a fix.

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-065 (Repeat 2018-010)

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Education (USDE)

**CFDA NO:** 84.010

**FEDERAL PROGRAM NAME:** Title I Grants to Local Educational Agencies

**FEDERAL AWARD NUMBER:** S010A180036

**FEDERAL AWARD YEAR:** 2019

**CONTROL CATEGORY:** Special Tests and Provisions – Annual Report Card, High School Graduation Rate

**QUESTIONED COSTS:** \$0

**Criteria:** ESEA § 8101(25) *Four-Year Adjusted Cohort Graduation Rate* states:

(A) IN GENERAL.—The term “four-year adjusted cohort graduation rate” means the fraction—

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(i) the denominator of which consists of the number of students who form the original cohort of entering first-time students in grade 9 enrolled in the high school no later than the date by which student membership data is collected annually by State educational agencies for submission to the National Center for Education Statistics pursuant to section 153 of the Education Sciences Reform Act of 2002 (20 U.S.C. 9543), adjusted by—

(I) adding the students who joined that cohort, after the date of the determination of the original cohort; and

(II) subtracting only those students who left that cohort, after the date of the determination of the original cohort, as described in subparagraph (B); and

(ii) the numerator of which—

(I) consists of the sum of—

(aa) the number of students in the cohort, as adjusted under clause (i), who earned a regular high school diploma before, during, or at the conclusion of—

(AA) the fourth year of high school; or

(BB) a summer session immediately following the fourth year of high school; and

(bb) all students with the most significant cognitive disabilities in the cohort, as adjusted under clause (i), assessed using the alternate assessment aligned to alternate academic achievement standards under section 1111(b)(2)(D) and awarded a State-defined alternate diploma that is—

(AA) standards-based;

(BB) aligned with the State requirements for the regular high school diploma; and

(CC) obtained within the time period for which the State ensures the availability of a free appropriate public education under section 612(a)(1) of the Individuals with Disabilities Education Act (20 U.S.C. 1412(a)(1)); and

(II) shall not include any student awarded a recognized equivalent of a diploma, such as a general equivalency diploma, certificate of completion, certificate of attendance, or similar lesser credential.

(B) COHORT REMOVAL.—To remove a student from a cohort, a school or local educational agency shall require documentation, or obtain documentation from the State educational agency, to confirm that the student has transferred out, emigrated to another country, or transferred to a prison or juvenile facility, or is deceased.

(C) TRANSFERRED OUT.—

(i) IN GENERAL.—For purposes of this paragraph, the term "transferred out" means that a student, as confirmed by the high school or local educational agency in accordance with clause (ii), has transferred to—

(I) another school from which the student is expected to receive a regular high school diploma; or

(II) another educational program from which the student is expected to receive a regular high school diploma or an alternate diploma that meets the requirements of subparagraph (A)(ii)(I)(bb).

(ii) CONFIRMATION REQUIREMENTS.—

(I) DOCUMENTATION REQUIRED.—The confirmation of a student's transfer to another school or educational program described in clause (i) requires documentation of such transfer from the receiving school or program in which the student enrolled.

(II) LACK OF CONFIRMATION.—A student who was enrolled in a high school, but for whom there is no confirmation of the student having transferred out, shall remain in the adjusted cohort.

(iii) PROGRAMS NOT PROVIDING CREDIT Except as provided in subparagraph (A)(ii)(I)(bb), a student who is retained in grade or who is enrolled in a program leading to a general equivalency diploma, or other alternative educational program that does not issue or provide credit toward the issuance of a regular high school diploma, shall not be considered transferred out and shall remain in the adjusted cohort.

(D) SPECIAL RULES.—

(i) SCHOOLS STARTING AFTER GRADE 9.—For those high schools that start after grade 9, the original cohort shall be calculated for the earliest high school grade students attend no later than the date by which student membership data must be collected annually by State educational agencies for

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submission to the National Center for Education Statistics pursuant to section 153 of the Education Sciences Reform Act of 2002 (20 U.S.C. 9543).

(ii) VERY SMALL SCHOOLS.—A State educational agency may calculate the four-year adjusted cohort graduation rate described under this paragraph for a high school with an average enrollment over a 4-year period of less than 100 students for the purposes of section 1111(c)(4) by—

(I) averaging the four-year adjusted cohort graduation rate of the school over a period of three years; or

(II) establishing a minimum number of students that must be included in the cohort described in clause (i) of subparagraph (A) that will provide a valid graduation rate calculation as determined by the Secretary, below which the school shall be exempt from differentiation and identification under such section.

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 Appendix XI - Compliance Supplement requirement N3 *Annual Report Card, High School Graduation Rate* – states in part, “Review SEA policies and procedures that ensure that LEAs are maintaining appropriate documentation to confirm when students have been removed from the regulatory adjusted cohort.” As part of the SEA’s policies and procedures they are to verify appropriate written documentation to support the removal of a student from the regulatory adjusted cohort.

2 CFR 200 Appendix XI - Compliance Supplement – Annual Report Card, High School Graduation Rate (*OMB No. 1810-0581*) states in part, “An SEA and its LEAs must report graduation rate data for all public high schools at the school, LEA, and State levels using the 4-year adjusted cohort rate. To remove a student from the cohort, a school or LEA must confirm, in writing, that the student transferred out, emigrated to another country, transferred to a prison or juvenile facility, or is deceased. To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma.”

**Condition and Context:** Based on evaluation of controls for FY 2019 related to Annual Report Card High School Graduation Rate, we determined that testing 10% of the LEA’s to verify documentation is inadequate, and that OSDE needs to review documentation for 100% of the students being removed from cohort to ensure the graduation rates are accurate. In addition, we determined OSDE had no detailed, standardized written policies and procedures on how they verified documentation of the students that had been removed from the regulatory adjusted cohort high school graduation rate. Lastly, OSDE had no standardized, written policies and procedures for action to be taken when sites did not provide the proper documentation for students.

**Cause:** OSDE failed to ensure the four-year adjusted cohort compliance requirements were fully met by not testing all students being removed from a cohort. OSDE had some processes in place; however, they had failed to implement standardized written policies and procedures to explain the entire process from when LEA’s are selected for testing through what documentation is to be gathered from LEAs, to what occurs when the LEA does not provide appropriate documentation.

**Effect:** Without testing all students and ensuring policies and procedures are adequate to verify that students were appropriately removed from the cohort and how the removals will affect the denominator for the four year adjusted cohort, we were unable to test compliance with ESEA § 8101(25) or 2 CFR 200 Appendix XI - Compliance Supplement requirement N3 *Annual Report Card, High School Graduation Rate*.

**Recommendation:** We recommend that OSDE develop standardized policies and procedures to ensure that all LEAs removed from the adjusted cohort are reviewed. In addition, we recommend OSDE develop standardized policies and procedures to ensure the four-year adjust cohort requirements are fully documented from the testing of LEA documentation, to the removal of the student, to final graduation rates.



## Schedule of Findings And Questioned Costs

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### *Views of Responsible Official(s)*

**Contact Person:** Maria Harris

**Anticipated Completion Date:** Fall 2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-081

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Agriculture (USDA)

**CFDA NO:** 10.553, 10.555, 10.556, and 10.559

**FEDERAL PROGRAM NAME:** Child Nutrition Cluster

**FEDERAL AWARD NUMBER:** 60K300329

**FEDERAL AWARD YEAR:** 2019

**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.”

Per 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 - *Additional responsibilities* - states in part,

“(a)*General Program management* Each State agency shall provide an adequate number of consultative, technical and managerial personnel to administer programs and monitor performance in complying with all Program requirements.

(1) *Assurance of compliance for finances.* 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. All costs resulting from contracts that do not meet the requirements of this part are unallowable nonprofit school food service account expenses. When the school food authority fails to incorporate State agency required changes to solicitation or contract documents, all costs resulting from the subsequent contract award are unallowable charges to the nonprofit school food service account. The State agency shall ensure compliance with the requirements to limit net cash resources and shall provide for approval of net cash resources in excess of three months' average expenditures. Each State agency shall monitor, through review or audit or by other means, the net cash resources of the nonprofit school food service in each school food authority participating in the Program. In the event that net cash resources exceed 3 months' average expenditures for the school food authority's nonprofit school food service or such other amount as may be approved in accordance with this paragraph, the State agency may require the school food authority to reduce the price children are charged for lunches, in a manner that is consistent with the paid lunch equity provision in § 210.14(e) and corresponding FNS guidance, improve food quality or take other action designed to improve the nonprofit school food service. In the absence of any such action, the State agency shall make adjustments in the rate of reimbursement under the Program. Each State agency shall ensure that school food authorities comply with the requirements for pricing paid lunches and nonprogram foods as required in § 210.14(e) and § 210.14(f).”

**Condition and Context:** While performing testwork on 5 out of 43, or 11.63% of the School Food Authorities (SFA's) that had a 3-month excess operating balance, we noted 4 out of 5 totaling \$179,418.62, or 80% of SFA's had excess operating balances and did not provide supporting documentation to OSDE showing that the excess funds were spent only for the school food account.

## Schedule of Findings And Questioned Costs

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**Cause:** OSDE did not collect and maintain adequate supporting documentation that would enable a reviewer to confirm that the excess operating balances were spent appropriately.

**Effect:** Subrecipient noncompliance may not be detected or prevented due to inadequate procedures for review and approval of expenditures related to 3-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 develop policies and procedures to ensure the excess 3-month operating balances or expenditures are obtained and maintained by OSDE that would allow a reviewer to evaluate whether the funds were spent appropriately.

### **Views of Responsible Official(s)**

**Contact Person:** Jennifer Weber, Executive Director

**Anticipated Completion Date:** 6/1/2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

## OKLAHOMA DEPARTMENT OF EMERGENCY MANAGEMENT

**FINDING NO:** 2019-008 (Repeat 2018-013)

**STATE AGENCY:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance

**FEDERAL AWARD NUMBER:** FEMA-4299, FEMA-4315

**FEDERAL AWARD YEAR:** 2018/2019

**CONTROL CATEGORY:** Subrecipient Monitoring

**QUESTIONED COSTS:** \$0

**Criteria:** 2 CFR § 200.331(b) – *Requirements for pass-through entities* states, “All pass-through entities must 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.”

2 CFR § 200.331(d) – *Requirements for pass-through entities* states, “All pass-through entities must 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.”

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

**Condition and Context:** We reviewed all *advances* (disasters #4299 and #4315 were the only disasters with advances for 2019) and identified \$7,624,655.85 that was advanced to subgrantees without ensuring supported activities were in compliance with applicable Federal requirements prior to the closeout of the project. The advances represent 16.65% of the funds provided to subgrantees during the fiscal year. Also, the Department did not evaluate each subgrantee’s risk of noncompliance to determine the appropriate subrecipient monitoring.

**Cause:** The Department did not have during the award monitoring procedures/internal controls in place to ensure that funds *advanced* to subgrantees were being used in compliance with applicable Federal requirements. In addition, the Department did not have procedures/internal controls to evaluate each subrecipient’s risk of noncompliance.

## Schedule of Findings And Questioned Costs

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**Effect:** The Department is not in compliance with the requirements of 2 CFR 200.331 (b) and 2 CFR 200.331(d). As a result, failure to perform during the award monitoring of subgrantees for advance payments could lead to federal funds not being disbursed timely and/or in accordance with Federal regulations.

**Recommendation:** We recommend the Department develop policies and procedures/internal controls to ensure subgrantees receiving *advance* funds are monitored prior to the closeout of the project to ensure compliance with the applicable Federal regulations. In addition, we recommend the Department develop policies and procedures/internal controls to evaluate each subrecipient's risk of noncompliance.

**Views of Responsible Official(s)**

**Contact Person:** Alden Graybill and the Public Assistance Division; Daniel Piltz and the Compliance Division

**Anticipated Completion Date:** 5/1/2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-009 (Repeat 2018-057)

**STATE AGENCY:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance

**FEDERAL AWARD NUMBER:** FEMA-1754, FEMA-1883, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA-4315, FEMA-4324, FEMA-4373

**FEDERAL AWARD YEAR:** 2018/2019

**CONTROL CATEGORY:** Reporting

**QUESTIONED COSTS:** \$0

**Criteria:** Per 2 CFR § 200.62, “*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports.”

Per 2 CFR § 200.510 (b), “*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....”

Per 2 CFR § 200.502 (a), “*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....”

OMES Form Z Instructions – IV. Specific Instructions B (5), “Detailed data should be maintained for both receipts and disbursements to support amounts submitted.”

OMES Form Z Instructions – IV. Specific Instructions C - Working Papers, “The agency should keep any documents that support data on the summary. For example, agencies should thoroughly document: How you computed each amount. The source(s) of data for each amount. Track amounts provided to subrecipients (Non-state agencies and higher education institutions). Track amounts transferred to other state agencies.”

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

**Condition and Context:** The SFY 2019 *Schedule of Expenditures of Federal Awards* (SEFA – GAAP Package Z) for the Department incorrectly reports the total federal cash basis and accrual basis expenditures as follows:

## Schedule of Findings And Questioned Costs

	Current Total Federal Expenditures	Revised Total Federal Expenditures	Variance
(5) Cash Basis	39,840,092	46,995,126	7,155,034
Revenue and Expenditure Accrual Adjustments			
(6) Prior Year Federal Accounts Receivable			
(7) Prior Year Federal Accounts Payable	(467,504)	(467,504)	-
(8) Current Year Federal Accounts Receivable			
(9) Current Year Federal Accounts Payable	2,705,593	2,705,593	0
(10) Total	<u>\$ 42,078,181</u>	<u>\$ 49,233,215</u>	<u>\$ 7,155,034</u>

**Cause:** The Department calculated the cash basis expenditure amount for CFDA #97.036 from the PeopleSoft query: “REGENTS\_EXPENDITURE\_DETAIL” and description = “6-Digit Exp Detail w/claim #”. The query returns results on accounting date entered into the Statewide Accounting System rather than when the expense occurred, and the error was not detected during review. In addition, administrative costs were not included in the total.

**Effect:** The Department’s total federal expenditures were understated by \$7,155,034.

**Recommendation:** We recommend the Department review the current procedures and implement the necessary controls to ensure accurate reporting of total federal expenditures on the SEFA.

**Views of Responsible Official(s)**

**Contact Person:** Sandy Henry and the Finance Division

**Anticipated Completion Date:** 5/1/2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-018 (Repeat 2018-047)

**STATE AGENCY:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance

**FEDERAL AWARD NUMBER:** FEMA-1754, FEMA-1883, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA-4315, FEMA-4324, FEMA-4373

**FEDERAL AWARD YEAR:** 2018/2019

**CONTROL CATEGORY:** Reporting

**QUESTIONED COSTS:** \$0

**Criteria:** The instructions for SF-425 for line 10b – *Cash Disbursements* states, “enter the cumulative amount of Federal fund disbursements by the grantee (such as cash or checks) as of the reporting period end date. Disbursements are the sum of actual cash disbursements (of Federally authorized funds) for direct charges for goods and services, the amount of indirect expenses charged to the award, and the amount of cash advances and payments (of Federally authorized funds) made to subrecipients and contractors.”

The instructions for SF-425a for line 10b – *Cumulative Federal Cash Disbursements* states, “enter the cumulative amount of the Federal share of cash disbursed for each award. Cash disbursements are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expenses charged to the award, and the amount of cash advances and payments made to subrecipients and contractors.”

## Schedule of Findings And Questioned Costs

Per 2 CFR §200.62, “Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports.”

2 CFR § 200.303 (a) – *Internal Control* 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).”

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information. In addition, a key element of internal controls is the performance of a reconciliation of funds between the agency and external records. The reconciliation process is essential because it ensures that accounting records are accurate, and errors are detected and corrected in a timely manner.

**Condition and Context:** The Department is responsible for reporting cumulative disbursements (line 10b) for each open disaster on the SF-425 and SF-425a quarterly to FEMA. Since we were unable to rely on the 6/30/18 SF-425 reports, we started with the amounts calculated from the prior audit and added subrecipient and management costs from SFY 2019 to get to the 6/30/19 totals that should have been reported. We then compared the amounts reported at 6/30/19 on the SF-425 and SF-425a (in Column E) to what we calculated and noted the following variances for the disasters reported:

	A	B	C	(A+B+C)	E	
Open DR's	SFY18 Audit	SFY 19 Payments	SFY 19 Mgmt Draws	Total	6/30/19 SF-425 Line 10b	Difference
1988	\$ 3,939,184.72			\$ 3,939,184.72	\$ 3,860,283.53	\$ 78,901.19
4109	\$ 57,672,516.21			\$ 57,672,516.21		\$ 57,672,516.21
4117	\$ 47,756,023.47	\$ 1,898,505.25	\$ 1,244,260.46	\$ 50,898,789.18	\$ 48,706,666.34	\$ 2,192,122.84
4164	\$ 3,990,899.35			\$ 3,990,899.35	\$ 3,947,030.06	\$ 43,869.29
4222	\$ 55,217,969.17	\$ 5,121,677.78	\$ 4,768,893.38	\$ 65,108,540.33	\$ 61,946,645.90	\$ 3,161,894.43
4247	\$ 28,012,578.81	\$ 1,064,359.22	\$ 1,131,846.85	\$ 30,208,784.88	\$ 29,160,373.70	\$ 1,048,411.18
4256	\$ 37,147,848.44	\$ 6,136,914.10	\$ 4,858,549.25	\$ 48,143,311.79	\$ 43,417,846.49	\$ 4,725,465.30
4274	\$ 1,160,283.17	\$ 2,386,374.15	\$ 2,515,448.19	\$ 6,062,105.51	\$ 3,920,611.60	\$ 2,141,493.91
4299	\$ 18,586,044.14	\$ 13,860,916.69	\$ 13,814,320.91	\$ 46,261,281.74	\$ 32,784,479.06	\$ 13,476,802.68
4315	\$ 5,084,559.22	\$ 12,691,345.40	\$ 7,108,332.06	\$ 24,884,236.68	\$ 18,304,186.87	\$ 6,580,049.81
4324	\$ 1,898,209.09	\$ 1,703,270.64	\$ 1,114,727.02	\$ 4,716,206.75	\$ 3,601,479.73	\$ 1,114,727.02
4373		\$ 577,908.08	\$ 636,834.35	\$ 1,214,742.43	\$ 636,834.35	\$ 577,908.08
	\$ 260,466,115.79	\$ 45,441,271.31	\$ 37,193,212.47	\$ 343,100,599.57	\$ 250,286,437.63	\$ 92,814,161.94

## Schedule of Findings And Questioned Costs

Open DR's	A SFY18 Audit	B SFY 19 Payments	C SFY 19 Mgmt Draws	(A+B+C) Total	E 6/30/19 SF-425A	Difference
1988	\$ 3,939,184.72			\$ 3,939,184.72	\$ 3,860,283.53	\$ 78,901.19
4109	\$ 58,285,290.93			\$ 58,285,290.93		\$ 58,285,290.93
4117	\$ 47,756,023.47	\$ 1,898,505.25	\$ 1,244,260.46	\$ 50,898,789.18	\$ 48,706,666.35	\$ 2,192,122.83
4164	\$ 3,990,899.35			\$ 3,990,899.35	\$ 3,947,030.06	\$ 43,869.29
4222	\$ 55,217,969.17	\$ 5,121,677.78	\$ 4,768,893.38	\$ 65,108,540.33	\$ 61,946,645.90	\$ 3,161,894.43
4247	\$ 28,012,578.81	\$ 1,064,359.22	\$ 1,131,846.85	\$ 30,208,784.88	\$ 29,160,373.70	\$ 1,048,411.18
4256	\$ 37,147,848.44	\$ 6,136,914.10	\$ 4,858,549.25	\$ 48,143,311.79	\$ 43,417,846.49	\$ 4,725,465.30
4274	\$ 1,160,283.17	\$ 2,386,374.15	\$ 2,515,448.19	\$ 6,062,105.51	\$ 3,920,611.60	\$ 2,141,493.91
4299	\$ 18,586,044.14	\$ 13,860,916.69	\$ 13,814,320.91	\$ 46,261,281.74	\$ 32,784,479.06	\$ 13,476,802.68
4315	\$ 5,084,559.22	\$ 12,691,345.40	\$ 7,108,332.06	\$ 24,884,236.68	\$ 18,304,186.87	\$ 6,580,049.81
4324	\$ 1,898,209.09	\$ 1,703,270.64	\$ 1,114,727.02	\$ 4,716,206.75	\$ 3,601,479.73	\$ 1,114,727.02
4373		\$ 577,908.08	\$ 636,834.35	\$ 1,214,742.43	\$ 636,834.35	\$ 577,908.08
	\$ 261,078,890.51	\$ 45,441,271.31	\$ 37,193,212.47	\$ 343,713,374.29	\$ 250,286,437.64	\$ 93,426,936.65

We noted that for 1 *open* disaster at 6/30/19 we were not provided with an SF-425 report, as indicated by the blank amount in column E; therefore, it appears an SF-425 report was not submitted.

We noted that for 1 *open* disaster at 6/30/19 we were not provided with an SF-425a report, as indicated by the blank amount in column E; therefore, it appears an SF-425a report was not submitted.

**Cause:** The Department did not have adequate controls in place to ensure the SF-425 and SF-425a were reconciled on a quarterly basis prior to submission to FEMA.

**Effect:** The Department understated the cumulative amount of the cash disbursements at 6/30/19 for all open Public Assistance disasters by approximately \$92,814,162 on the SF-425 and \$93,426,937 on the SF-425a.

**Recommendation:** We recommend the Department of Emergency Management develop policies and procedures/internal controls to ensure that the amounts and disasters reported on the SF-425 and SF-425a are calculated in accordance with the instructions and agree to the accounting records. Also, we recommend the Department perform an adequate and timely reconciliation of SF-425 and SF-425a reports prior to submitting to FEMA.

### Views of Responsible Official(s)

**Contact Person:** Sandy Henry and the Finance Division

**Anticipated Completion Date:** 6/5/2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-032 (Repeat 2018-069 for EMPG Only)

**STATE AGENCY:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.042

**FEDERAL PROGRAM NAME:** Emergency Management Performance Grant

**FEDERAL AWARD NUMBER:** EMT-2017-EP-00003, EMT-2018-EP-00004

**FEDERAL AWARD YEAR:** 2018/2019

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

**QUESTIONED COSTS:** \$38,260

**Criteria:** 2 CFR 200.405 (d) *Allocable costs* states, "Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that

## Schedule of Findings And Questioned Costs

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cannot be determined because of the interrelationship of the work involved, then, . . . , the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.”

2 CFR §200.62, “Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: . . . (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award and (b) Transactions are executed in compliance with: (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program. . . .”

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.”

2 CFR 200.431 (c) *Compensation – fringe benefits* states, . . . “Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity’s accounting practices.”

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

**Condition and Context:** The Office of Management and Enterprise Services (OMES) informed agencies in February 2018 that any excess Pathfinder contributions (account code 513300 in the Statewide Accounting System) that went to the OPERS defined benefit plan would not be allowed to be charged to Federal grants. The Federal government maintains that the amount used to fund the defined benefit plan is an overcharge to Federal programs. As a result, OMES informed the agencies they would repay the unallowable costs from inception (state fiscal year 2016) through 2/20/18. However, any agencies charging Federal grants for the unallowable cost after that point would be required to repay on their own.

While determining whether any excess Defined Contributions were charges to the Public Assistance grant, we noted \$38,260 was charged to the Emergency Management Performance Grant (EMPG) – CFDA #97.042 during SFY 2019. In addition, based on our review, a portion of the employees’ time charged to the EMPG actually applied to the Public Assistance grant.

**Cause:** OEM does not have processes or controls in place to prevent charging the excess Pathfinder costs to federal grants. Also, the Department does not have adequate processes or controls in place to ensure costs charged to a federal grant reflect the actual time worked for that grant. Lastly, OEM failed to follow the communication from the Office of Management and Enterprise Services (OMES) that excess Pathfinder contributions that were made to the defined benefit plan were unallowed and could not be charged to a federal program.

**Effect:** The \$38,260 in excess Pathfinder contributions overcharged to Federal programs are required to be reimbursed to the Federal agency. The Federal share of management costs charged to OEM’s Federal grants have not been charged according to actual time worked on the grant.

**Recommendation:** We recommend the Department develop and implement procedures to ensure Pathfinder excess contributions (account 513300) are not charged to Federal grants. In addition, we recommend the Department develop and implement procedures to ensure management costs for Federal grants are charged according to actual time worked on the grant.

**Views of Responsible Official(s)**

**Contact Person:** Sandy Henry and the Finance Division

**Anticipated Completion Date:** 5/1/2020

## Schedule of Findings And Questioned Costs

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**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-033

**STATE AGENCY:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance

**FEDERAL AWARD NUMBER:** FEMA-4315

**FEDERAL AWARD YEAR:** 2018/2019

**CONTROL CATEGORY:** Subrecipient Monitoring

**QUESTIONED COSTS:** \$0

**Criteria:** 2 CFR § 200.303 (a) – *Internal Control* 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).”

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

**Condition and Context:** When testing 21 of the 86 *large project* payments to subgrantees, we noted one project was reopened after having been closed by FEMA and the payment was made to the subrecipient. An Improper Payments Elimination and Recovery Improvement Act (IPERIA) audit determined the subrecipient to have been over-paid.

**Cause:** The Department did not properly review the closeout supporting documentation when completing the Project Certification Report.

**Effect:** Based on lack of proper closeout supporting documentation, the subrecipient was asked to refund a total of \$84,948.89. In addition, the lack of a thorough closeout review of documentation for Project Certification Reports could result in additional subrecipients being overpaid.

**Recommendation:** We recommend the Department review procedures to ensure all costs submitted by the subrecipient for closeouts are eligible for reimbursement.

**Views of Responsible Official(s)**

**Contact Person:** Alden Graybill, Michael Teague, and the Public Assistance Team

**Anticipated Completion Date:** 6/1/2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

### OKLAHOMA EMPLOYMENT SECURITY COMMISSION

**FINDING NO:** 2019-077 (Repeat 2018-060)

**STATE AGENCY:** Oklahoma Employment Security Commission

**FEDERAL AGENCY:** U.S. Department of Labor

**CFDA NO:** 17.225

**FEDERAL PROGRAM NAME:** Unemployment Insurance

**FEDERAL AWARD NUMBER:** UI-31619-18-60-A-40 and UI-32860-19-60-A-40

**FEDERAL AWARD YEAR:** 2018 and 2019



## Schedule of Findings And Questioned Costs

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**CONTROL CATEGORY:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles  
**QUESTIONED COSTS:** \$37,075

**Criteria:** 2 CFR 200.405 (d) *Allocable costs* states, “Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, . . . , the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.”

2 CFR §200.62, “Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: . . . (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award and (b) Transactions are executed in compliance with: (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program. . . .”

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.”

2 CFR 200.431 (c) *Compensation – fringe benefits* states, . . . “Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices.”

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

**Condition and Context:** The Office of Management and Enterprise Services (OMES) informed agencies in February 2018 that any excess Pathfinder contributions (account code 513300 in the Statewide Accounting System) that went to the OPERS defined benefit plan would not be allowed to be charged to Federal grants. The Federal government maintains that the amount used to fund the defined benefit plan is an overcharge to Federal programs. As a result, OMES informed the agencies they would repay the unallowable costs from inception (state fiscal year 2016) through 2/20/18. However, any agencies charging Federal grants for the unallowable cost after that point would be required to repay on their own.

When reviewing the excess Pathfinder costs for Oklahoma Employment Security Commission (OESC), we noted that a total of \$37,075 of unallowable costs were charged to the Unemployment Insurance Program – CFDA #17.225 during SFY 2019.

**Cause:** The Commission did not ensure that charges made to the UI program for unallowable costs was discontinued after 2/20/2018. Also, the Commission is 100% federally funded and has no other funding sources to pay these costs.

**Effect:** The Commission has overcharged the grant \$37,075 during SFY 2019 with its excess Pathfinder costs, which are an unallowable cost.

**Recommendation:** We recommend the Commission develop and implement procedures to ensure Pathfinder excess contributions (account 513300) are not charged to Federal grants.

**Views of Responsible Official(s)**

**Contact Person:** Denise Edmond

**Anticipated Completion Date:** September 25, 2019

## Schedule of Findings And Questioned Costs

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**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-078 (Repeat 2018-022)  
**STATE AGENCY:** Oklahoma Employment Security Commission  
**FEDERAL AGENCY:** U.S. Department of Labor  
**CFDA NO:** 17.225  
**FEDERAL PROGRAM NAME:** Unemployment Insurance  
**FEDERAL AWARD NUMBER:** N/A – Related to Payments from Employers  
**FEDERAL AWARD YEAR:** 2018 and 2019  
**CONTROL CATEGORY:** Special Tests and Provisions  
**QUESTIONED COSTS:** \$0

**Criteria:** 2 C.F.R. §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).”

42 U.S. Code § 503 (a) (11) states, “The Secretary of Labor shall make no certification for payment to any State unless he finds that the law of such State, approved by the Secretary of Labor under the Federal Unemployment Tax Act [26 U.S.C. 3301 et seq.], includes provision for -

- (A) At the time the State agency determines an erroneous payment from its unemployment fund was made to an individual due to fraud committed by such individual, the assessment of a penalty on the individual in an amount of not less than 15 percent of the amount of the erroneous payment; and
- (B) The immediate deposit of all assessments paid pursuant to subparagraph (A) into the unemployment fund of the State.”

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 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;”

**Condition and Context:** During SFY 2019, the Commission did not ensure that at least 15% penalty was being charged on fraudulent overpayments. In addition, the Agency failed to assess and collect penalties in the amount of \$646,212.50 applicable to overpayments that were due to fraud pursuant to state law.

**Cause:** The Commission did not have an adequate system in place to ensure compliance with 40 O.S. § 2-613 (1). The Commission has implemented a new system to ensure compliance with 40 O.S. § 2-613 (1), but it did not go into effect until after 6/30/19.

**Effect:** The Commission is not in compliance with the criteria above.

**Recommendation:** We recommend the Commission verify the new system is designed to ensure compliance with 40 O.S. § 2-613 (1) to include the assessment of a 25% penalty applicable to fraud overpayments with 3/5 of the penalty amount collected being deposited into the Unemployment Trust Fund.

## Schedule of Findings And Questioned Costs

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### *Views of Responsible Official(s)*

**Contact Person:** Kerry Master

**Anticipated Completion Date:** 12/31/2019

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

## OKLAHOMA HEALTH CARE AUTHORITY

**FINDING NO:** 2019-012 (Repeat 2018-027)

**STATE AGENCY:** Oklahoma Health Care 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 (CHIP); Medicaid Cluster (MAP)

**FEDERAL AWARD NUMBER:** 1805OK5021; 1905OK5021; 1805OK5MAP; 1905OK5MAP

**FEDERAL AWARD YEAR:** 2018 and 2019

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

**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)."

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 GAO Standards for Internal Control in the Federal Government 11.06 states in part, "Management designs appropriate types of control activities in the entity's information system for coverage of information processing objectives for operational processes."

The GAO Standards for Internal Control in the Federal Government 11.07 states, "Information system general controls (at the entity-wide, system, and application levels) are the policies and procedures that apply to all or a large segment of an entity's information systems. General controls facilitate the proper operation of information systems by creating the environment for proper operation of application controls. General controls include security management, logical and physical access, configuration management, segregation of duties, and contingency planning."

The GAO Standards for Internal Control in the Federal Government 11.12 states, "Security management includes the information processes and control activities related to access rights in an entity's information technology, including who has the ability to execute transactions. Security management includes access rights across various levels of data, operating system (system software), network, application, and physical layers. Management designs control activities over access to protect an entity from inappropriate access and unauthorized use of the system. These control activities support appropriate segregation of duties. By preventing unauthorized use of and changes to the system, data and program integrity are protected from malicious intent (e.g., someone breaking into the technology to commit fraud, vandalism, or terrorism) or error."

## Schedule of Findings And Questioned Costs

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**Condition and Context:** OHCA's Medicaid Management Information System (MMIS) processes medical claims. The MMIS system has over 1,800 edits/audits and validation checks to prevent erroneous payments. The editing process in the MMIS system consists of general data field verifications, provider and recipient eligibility, verification against historical claims data, etc. After discussion with OHCA staff, we determined there was no evidence anyone was monitoring the MMIS edit changes. Certain OHCA employees had the ability to change, create and even deactivate MMIS edits/audits without the review or approval of another individual.

Beginning in January of 2019 OHCA implemented changes to their process so that all MMIS edit changes required a change request form to be completed and approved. However, there were no controls within the system itself to prevent individuals with system editing access from making unauthorized changes to edits without an approved change request form. In addition, there is no monitoring of system changes to adequately ensure only properly approved edit changes were made to the MMIS system.

**Cause:** There is a lack of segregation of duties over changes in edits checks in the MMIS system.

**Effect:** Lack of segregation of duties over changes in edit checks increases the risk of waste, loss, unauthorized use or misappropriation of state and federal funds.

**Recommendation:** We recommend OHCA implement internal controls to ensure segregation of duties over changes in edits/audits. These controls should include review and approval by someone other than the individual changing, creating, and deactivating the MMIS edits/audits, and proper monitoring of changes to edits/audits within the MMIS system.

### **Views of Responsible Official(s)**

**Contact Person:** Holly Rictor

**Anticipated Completion Date:** January 2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-046 (Repeat 2018-025)

**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 (MAP)

**FEDERAL AWARD NUMBER:** 1805OK5MAP and 1905OK5MAP

**FEDERAL AWARD YEAR:** 2018 and 2019

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

**QUESTIONED COSTS:** \$0

**Criteria:** 45 CFR §75.403 (Subpart E) 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 either direct medical payments that are initiated by the provider or are indirectly related to medical claims and are not initiated by the provider, such as the cost of non-emergency transportation to appointments or capitation payments to primary care providers based on the number of enrolled members.

Based on a medical professional's review of 115 direct medical claims initiated by the provider for Medical Assistance Program recipients, three claims (2.6%) had documentation errors. The rendering physician listed on all three claims did not match the physician noted in the medical records provided; however, both physicians are approved contractors with OHCA. For these claims, since the supporting documentation indicated the services provided did meet Medicaid policy/regulatory requirements and were adequately supported by medical records or other evidence indicating that the services were actually provided and/or necessary, we will not question the costs.

## Schedule of Findings And Questioned Costs

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**Cause:** Three (3) claims submitted by a provider to the Authority contained documentation errors.

**Effect:** The Authority may be paying for services that were not properly supported by medical records.

**Recommendation:** We recommend the Authority investigate the items identified to determine how the documentation errors were not detected and make any processing changes necessary to avoid this in the future.

**Views of Responsible Official(s)**

**Contact Person:** Josh Richards

**Anticipated Completion Date:** June 30, 2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-047 (Repeat 2018-026)

**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:** 1805OK5021 and 1905OK5021

**FEDERAL AWARD YEAR:** 2018 and 2019

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

**QUESTIONED COSTS:** \$551

**Criteria:** 45 CFR §75.403 (Subpart E) 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 either direct medical payments that are initiated by the provider or are indirectly related to medical claims and are not initiated by the provider, such as the cost of non-emergency transportation to appointments or capitation payments to primary care providers based on the number of enrolled members.

- Based on a medical professional's review of 111 direct medical claims initiated by the provider for Children's Health Insurance Program recipients, four claims (3.60%) had payment errors. One (1) billed claim indicated a prescription was never picked up by the member, however the provider did not void the claim in MMIS. For one (1) billed claim we were unable to obtain medical records, while the other two (2) billed claims were upcoded. For these claims, since the supporting documentation indicated the services provided did not meet Medicaid policy/regulatory requirements and were not adequately supported by medical records or other evidence indicating that the services were actually provided and/or necessary, we will question the costs.
- The universe included 2,041,188 direct medical payments totaling \$295,126,238. Payments for direct medical expenditures in our sample totaled \$155,455. Payments for direct medical expenditures with non-compliance noted in the sample totaled \$572, of which \$551 (\$572 x the applicable Federal Medical Assistance Percentage (FMAP) rate (94.00% for the exception claim in the first quarter, 96.67% for the claims in the second and fourth quarters) is the federal questioned costs.
- In addition, two (2) claims had documentation errors. For one (1) of the claims, the rendering physician listed on the claim did not match the physician noted in the medical records provided; however, both physicians are approved contractors with OHCA. For one (1) of the claims, a data processing error occurred. For these claims, since the supporting documentation indicated the services provided did meet Medicaid policy/regulatory requirements and were adequately supported by medical records or other evidence indicating that the services were actually provided and/or necessary, we will not question the costs.

**Cause:** Four (4) claims submitted by a provider were not appropriately supported by medical records, a data processing error occurred for one (1) claim, and one (1) claim had documentation errors.

## Schedule of Findings And Questioned Costs

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**Effect:** The Authority may be paying for services that were not performed or are not medically necessary

**Recommendation:** We recommend the Authority investigate the items identified to determine how the documentation errors were not detected and make any processing changes necessary to avoid this in the future. Additionally, if necessary, recoup any funds paid to providers for services that were not supported by medical records.

**Views of Responsible Official(s)**

**Contact Person:** Josh Richards

**Anticipated Completion Date:** June 30, 2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-053 (Partial repeat 2018-054)

**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 (MAP)

**FEDERAL AWARD NUMBER:** 1805OK5MAP; 1905OK5MAP; 1805OK5ADM; 1905OK5ADM

**FEDERAL AWARD YEAR:** 2018 and 2019

**CONTROL CATEGORY:** Special Tests and Provisions: Utilization Control and Program Integrity; Medicaid Fraud Control Unit

**QUESTIONED COSTS:** \$0

**Criteria:** 45 CFR §455.13 states, in part, “The Medicaid agency must have (a) Methods and criteria for identifying suspected fraud cases; (b) Methods for investigating these cases. ... and (c) Procedures, developed in cooperation with State legal authorities, for referring suspected fraud cases to law enforcement officials.”

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).”

The Medicaid Program Integrity Manual Chapter 11 11005 states, “Both the identification and the collection of fraud, waste and abuse improper payments must be reported on the Summary Sheet (Form CMS 64 Summary) and the Line 9.C.1 feeder form (Form CMS 64.9C1) and Form CMS 64.90 that feeds into Line 10c. In addition, an overpayment can be reported as identified but not yet collected. Line 9.C.1 is for collections and line 10.C is for amounts identified but not yet collected.”

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 12.02 states, “Management documents in policies the internal control responsibilities of the organization.”

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 12.03 states, “Management documents in policies for each unit its responsibility for an operational process’s objectives and related risks, and control activity design, implementation, and operating effectiveness. Each unit, with guidance from management, determines the policies necessary to operate the process based on the objectives and related risks for the operational process. Each unit also documents policies in the appropriate level of detail to allow management to effectively monitor the control activity.”

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 12.04 states, “Those in key roles for the unit may further define policies through day-to-day procedures, depending on the rate of change in the operating environment and complexity of the operational process. Procedures may include the timing of when a control activity occurs and any follow-up corrective actions to be performed by competent

## Schedule of Findings And Questioned Costs

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personnel if deficiencies are identified. Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.”

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. ... Management considers these changes in its periodic review.”

**Condition and Context:** The Authority had no written policies to ensure violations of Medicaid laws and regulations by providers were identified and referred to an office with authority to prosecute cases of provider fraud during our audit period. The Legal Division of the Authority stated that they followed 42 CFR §455.12 to §455.23, and routine internal meetings were set up between the Legal Division and Program Integrity to discuss identified questionable providers based on Program Integrity’s preliminary findings. If the result of the discussion was to investigate or review further, regular internal meetings within Legal were utilized to further discuss and review the providers before an ultimate decision to refer the provider to the Medicaid Fraud Control Unit (MFCU) was made. Written policies have since been adopted by the Authority.

Additionally, the Authority received overpayment recoveries totaling \$1,051,608 total computable (\$616,909 federal share) from the MFCU during October and November 2018. These recoveries were not reported on the CMS-64 reports submitted during SFY19. Based on discussion with agency personnel, the majority of these recoveries were reported after the end of the audit period. However, since they were received in October/November 2018 and not reported by June 2019, it appears recoveries are not being tracked and reported on the CMS-64 reports in a timely manner.

**Cause:** The Authority’s Legal Division had changes in personnel in state fiscal year 2019. During SFY19 written policies over the MFCU referral process were created but weren’t finalized during the audit period.

The Authority’s Accounting Division did not have adequate controls in place to ensure CMS reporting guidelines applicable to reporting overpayment recoveries resulting from MFCU activities were followed, and therefore, these recoveries were not reported on the CMS-64 in a timely manner.

**Effect:** Without written policies and procedures, the Authority may not consistently communicate policies and procedures to staff, including new hires, which could lead to a failure to refer instances of suspected fraud to the State MFCU.

Without proper MFCU controls over the reporting process of overpayment recoveries, such funds may not be properly identified and reported on the CMS-64 report.

**Recommendation:** We recommend the Authority maintain written policies and procedures to ensure violations of Medicaid laws and regulations by providers are identified and referred to the appropriate office or authority. We also recommend the Authority develop and implement controls over the reporting of the overpayment recoveries.

### **Views of Responsible Official(s)**

**Contact Person:** Candace Arnold, Deputy General Counsel; Susan Crooke, Director of Financial Accountability and Compliance

**Anticipated Completion Date:** April 30, 2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-087

**STATE AGENCY:** Oklahoma Health Care Authority (the Authority)

**FEDERAL AGENCY:** United States Department of Health and Human Services

**CFDA NO:** 93.767; 93.778

## Schedule of Findings And Questioned Costs

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**FEDERAL PROGRAM NAME:** Children’s Health Insurance Program; Medicaid Cluster (MAP)

**FEDERAL AWARD NUMBER:** 1805OK5021 and 1905OK5021; 1805OK5MAP and 1905OK5MAP

**FEDERAL AWARD YEAR:** 2018 and 2019

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

**QUESTIONED COSTS:** \$6 (MAP)/\$1,803 (CHIP) - *due to scope limitation we were unable to identify all 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).”

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 (a)(3)(i)(c)
- 42 CFR §435.916 (b)
- 42 CFR §435.916 (c)
- 42 CFR §435.916 (d)(1) and (2)
- 42 CFR §435.945 (b)
- 42 CFR §435.948 (a), (b) and (c)
- 42 CFR §435.952 (a) and (c)(2)

Oklahoma Administrative Code (OAC) 317:35 describes the states administrative code the Authority applicable to Medicaid eligibility. The specific OAC sections applicable to this finding are listed below.

- OAC 317:35-6-60.1 (c)
- OAC 317:35-5-44 (2)
- OAC 317:35-10-26
- OAC 317:35-10-26 (2)(F)

Additionally, a component objective of generally accepted accounting principles is to provide accurate and reliable information.

**Condition and Context:** The Authority lacked internal controls over the MAGI (Modified Adjusted Gross Income) eligibility determinations. MAGI-based Medicaid and CHIP eligibility are determined using the same methodology.

We tested a non-statistical sample of 149 Medicaid MAGI based recipients for Medicaid eligibility requirements using the documentation in the Authority’s eligibility case records. The universe included 733,196 Medicaid MAGI-based recipients with 12,103,011 medical claims totaling \$2,004,464,885. We sampled one medical claim tied to a specific date of service per recipient tested. Tested medical claims for sampled recipients totaled \$56,700.

- For 85 (57%) of 149 cases tested, the wage data exchange received was not compared against the household income each time quarterly wage data is received to determine if the recipient remained eligible throughout the year. Payments for medical expenditures to recipients with non-compliance noted in the sample totaled \$10, of which \$6 is the federal questioned costs (\$10 times the average Federal Medical Assistance Percentage (FMAP) rate of 61.43% (58.57% for the first quarter of SFY 19/ 62.38% for the second, third, and fourth quarters) for each exception claim).
  - One (1%) of the 85 cases exceeded the max federal poverty level percentage for the program before the date of service sampled. Since eligibility changes frequently, questioned costs are based only on the one medical claim tested for the case. Payments for medical expenditures to recipients with non-compliance noted in the sample totaled \$5.



## Schedule of Findings And Questioned Costs

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- One (1%) of the 85 cases, the individual self-reported income and their case was auto passive renewed without verification of self-reported income prior to renewal. The recipient was ineligible for a portion of state fiscal year 2019. Questioned costs include all payments for services provided to the recipient within the time period for which they were ineligible during SFY 2019. Payments for medical expenditures to recipients with non-compliance noted in the sample totaled \$5.
- For 54 (36%) of 149 cases tested, the case file lacked sufficient documentation to fully support the eligibility determination. The insufficient documentation included:
  - Wage matches are limited to one source of electronic data
  - No evidence that self-reported income was verified
  - Limited evidence of requests for additional information
  - Auto Passive Renewal completed on recipients with self-reported income
  - Applicants and/or their spouses lacked SSNs or other personal identifiers to compare self-reported income to a data exchange. In addition, no further evidence was obtained for verifying the income

From the evidence in the case file, we were unable to determine eligibility for these 54 recipients. *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 184 CHIP MAGI based recipients for Medicaid eligibility requirements using the documentation in the Authority's eligibility case records. The universe included 211,921 Medicaid MAGI-based recipients with 2,430,856 medical claims totaling \$348,620,899. We sampled one medical claim tied to a specific date of service per recipient tested. Tested medical claims for sampled recipients totaled \$32,038.

- For 152<sup>1</sup> (83%) of 184 cases tested, the wage data exchange received was not compared against the household income each time quarterly wage data is received to determine if the recipient remained eligible throughout the year. Payments for medical expenditures to recipients with non-compliance noted in the sample totaled \$1,878, of which \$1,803 is the federal questioned costs (\$1,878 times the average Federal Medical Assistance Percentage (FMAP) rate of 96% (94% for the first quarter of SFY 19/ 96.67% for the second, third, and fourth quarters) for each exception claim).
  - Nine (6%) of the 152 cases exceeded the max federal poverty level percentage for the program before the date of service sampled. Since eligibility changes frequently, questioned costs are based only on the one medical claim tested for the case. Payments for medical expenditures to recipients with non-compliance noted in the sample totaled \$1,878.
- For 48<sup>1</sup> (26%) of 184 cases tested, the case file lacked sufficient documentation to fully support the eligibility determination. The insufficient documentation included:
  - Wage matches are limited to one source of electronic data
  - No evidence that self-reported income was verified
  - Limited evidence of requests for additional information
  - Auto Passive Renewal completed on recipients with self-reported income
  - Applicants and/or their spouses lacked SSN or other personal identifiers to compare self-reported income to a data exchange. In addition, no further evidence was obtained for verifying the income

From the evidence in the case file, we were unable to determine eligibility for these 48 recipients. *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 noted cases where child support was erroneously counted in household income which did not impact eligibility in the cases files we tested; however, these errors could impact the eligibility determinations of other cases.

<sup>1</sup> There could be multiple exceptions within one case; therefore, totaling the individual exceptions noted will not equal 184 cases.

## Schedule of Findings And Questioned Costs

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**Cause:** The Authority accepted self-attested income without further documentation from the recipient. 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 over the eligibility determinations to ensure adequate controls are in place to properly determine eligibility.

**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:** Ginger Clayton, Member Audit Manager

**Anticipated Completion Date:** July 15, 2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report

**FINDING NO:** 2019-088 (Partial Repeat 2018-023)

**STATE AGENCY:** Oklahoma Health Care Authority (the Authority)/Oklahoma Department of Human Services (OKDHS)

**FEDERAL AGENCY:** United States Department of Health and Human Services

**CFDA NO:** 93.778

**FEDERAL PROGRAM NAME:** Medicaid Cluster (MAP)

**FEDERAL AWARD NUMBER:** 1805OK5MAP and 1905OK5MAP

**FEDERAL AWARD YEAR:** 2018 and 2019

**CONTROL CATEGORY:** Eligibility

**QUESTIONED COSTS:** \$0 - *due to scope limitation we were unable to identify all 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)."

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 ..."

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 §435.914 (a)
- 42 CFR §435.916 (b)
- 42 CFR §435.917 (a)

Oklahoma Administrative Code (OAC) 317:35-5-42 (a) states in part, "Verification of the member's countable income or resources held in bank accounts or at other financial institutions can be established through an Asset Verification System (AVS)."

## Schedule of Findings And Questioned Costs

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Additionally, a component objective of generally accepted accounting principles is to provide accurate and reliable information.

**Condition and Context:** The Authority delegates the Oklahoma Department of Human Services (OKDHS) to determine eligibility for non-MAGI (modified adjusted gross income) recipients. OKDHS lacked internal controls over the non-MAGI eligibility determinations.

We tested a non-statistical sample of 219 Medicaid non-MAGI based recipients and reviewed the case record documentation maintained at OKDHS for Medicaid eligibility requirements. The universe included 182,647 recipients with 10,728,937 medical claims totaling \$2,306,743,114. We sampled one medical claim for a specific date of service per recipient tested. Medical claims tested for the sampled recipients totaled \$51,502.

- For two of the 219 (.9%) cases tested, non-compliance was noted. Case files had no evidence a redetermination of Medicaid eligibility had been performed within 12 months of the previous eligibility determination or redetermination and benefits were not discontinued after the period of eligibility expired. However, the recipients appear to be eligible for state fiscal year 2019 based on other information maintained in the case file. Therefore, we will not question costs.
- For two of the 219 (.9%) cases tested, the case file lacked sufficient documentation to fully support the eligibility determination. The insufficient documentation included no verification of resources (documentation that the Asset Verification System (AVS) was reviewed).

From the evidence in the case file, we were unable to determine eligibility for these two recipients. *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.*

- For 66 of the 219 (30%) cases tested, income could not be verified by the State Auditor and Inspector's Office (SAI) due to the restrictions of the Social Security Administration. All recipients appeared to be eligible for services based on the financial information available in the case file.

We noted other control deficiencies that did not impact eligibility in the cases files we tested; however, these errors could impact the eligibility determinations of other cases.

- No medical renewal notices
- Case notes were not always completed by the social worker

**Cause:** The Authority did not exercise appropriate oversight over the eligibility determinations made by OKDHS to ensure adequate controls are in place to ensure compliance with applicable laws and regulations. Determination of eligibility at OKDHS is a manual process performed by cases workers. Procedures performed when making eligibility determinations were not consistent with OKDHS's policies and procedures.

**Effect:** The Authority did not fully comply with applicable laws and regulations; therefore, they may have paid for services for which the recipient was not entitled.

**Recommendation:** We recommend the Authority investigate the recipients identified and, if considered necessary, recoup any funds paid to providers for services for which the recipients were not entitled. We also recommend the Authority take steps to ensure proper oversight over OKDHS eligibility determinations in order to ensure compliance with applicable laws and regulations.

### **Views of Responsible Official(s)**

**Contact Person:** Carla McCarrell-Williams, Programs Manager, Oklahoma Human Services; Ginger Clayton, Member Audit Manager, Oklahoma Health Care Authority

**Anticipated Completion Date:** July 1, 2020

## Schedule of Findings And Questioned Costs

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**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-089

**STATE AGENCY:** Oklahoma Health Care Authority (the Authority)/Oklahoma Department of Human Services (OKDHS)

**FEDERAL AGENCY:** United States Department of Health and Human Services

**CFDA NO:** 93.778

**FEDERAL PROGRAM NAME:** Medicaid Cluster (MAP)

**FEDERAL AWARD NUMBER:** 1805OK5MAP and 1905OK5MAP

**FEDERAL AWARD YEAR:** 2018 and 2019

**CONTROL CATEGORY:** Eligibility

**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).”

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 ...”

Social Security Act §1137 [42 U.S.C. 1320b–7] states in part, “(a) In order to meet the requirements of this section, a State must have in effect an income and eligibility verification system which meets the requirements of subsection (d) and under which—

(1) the State shall require, as a condition of eligibility for benefits under any program listed in subsection (b), that each applicant for or recipient of benefits under that program furnish to the State his social security account number (or numbers, if he has more than one such number), and the State shall utilize such account numbers in the administration of that program so as to enable the association of the records pertaining to the applicant or recipient with his account number; (2) wage information from agencies administering State unemployment compensation laws available pursuant to section 3304(a)(16) of the Internal Revenue Code of 1954, wage information reported pursuant to paragraph (3) of this subsection, and wage, income, and other information from the Social Security Administration and the Internal Revenue Service available pursuant to section 6103(l)(7) of such Code, shall be requested and utilized to the extent that such information may be useful in verifying eligibility for, and the amount of, benefits available under any program listed in subsection (b),

Subsection (b) states in part,

(b) The programs which must participate in the income and eligibility verification system are  
(2) the Medicaid program under title XIX of this Act. ...”

OKDHS Policy OAC 340:65-3-4 (4) states in part, “Automated data exchange with other agencies provides DHS with information regarding household members' benefits, wages, taxes, Social Security numbers, and current addresses. The system compares information obtained electronically with data stored within DHS electronic records to determine if there are discrepancies to be addressed.”

**Condition and Context:** The Authority delegates OKDHS to determine eligibility for non-MAGI (modified adjusted gross income) recipients.

## Schedule of Findings And Questioned Costs

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. Data exchange jobs determined significant for Medicaid eligibility were sampled and tested to determine if the jobs ran at the frequency required. The following exceptions were noted.

- One of the 60 (1.6%) CA930BBD-SSA daily data exchange jobs sampled, did not run on the frequency scheduled.
- One of the 60 (1.6%) CG930D-OSDH daily data exchange jobs sampled, did not run on the frequency scheduled.
- One of the 60 (1.6%) CG930D1-OSDH daily data exchange jobs sampled, did not run on the frequency scheduled.
- One of the 60 (1.6%) CG930D2-OSDH daily data exchange jobs sampled, did not run on the frequency scheduled.
- One of the 60 (1.6%) CN871D-OESC daily data exchange jobs sampled, did not run on the frequency scheduled.
- Two of the 60 (3%) SSONEAD-SSA daily data exchange jobs sampled, did not run on the frequency scheduled.
- Two of the 60 (3%) SSONEBD-SSA daily data exchange jobs sampled, did not run on the frequency scheduled.
- One of the Nine (11%) FT146W-SSA weekly data exchange jobs sampled, did not run on the frequency scheduled.

Details of the reports and the deviation noted are as follows:

DATA EXCHANGE JOB/TRANSMISSION JOB	OWNER	FREQUENCY	DEVIATION FROM SCHEDULED FREQUENCY
CA930BBD	SSA	Daily	Tuesday October 2, 2018
CG930D	OSDH	Daily	Friday November 23, 2018
CG930D1	OSDH	Daily	Friday November 23, 2018
CG930D2	OSDH	Daily	Friday November 23, 2018
CN871D	OESC	Daily	Friday November 23, 2018
SSONEAD	SSA	Daily	Friday November 16, 2018 Wednesday December 12, 2018
SSONEBD	SSA	Daily	Friday November 16, 2018 Wednesday December 12, 2018
FT146W	SSA	Weekly	Week of November 18, 2018

**Cause:** The Authority lacked appropriate oversight over the data exchange jobs completed by OKDHS resulting in inadequate controls over the data exchange process to ensure jobs are ran at the frequency required.

**Effect:** Non-compliance with the Social Security Act §1137 and OKDHS Policy OAC 340:65-3-4, which could result in payment of Medicaid benefits to ineligible recipients.

**Recommendation:** To comply with the Social Security Act §1137 and OKDHS Policy OAC 340:65-3-4, 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:** Carla McCarrell-Williams, Programs Manager, Oklahoma Human Services

**Anticipated Completion Date:** 04/17/2020

## Schedule of Findings And Questioned Costs

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**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report. Additionally, the Department of Human Services agrees with the finding. Please see the DHS corrective action plan located in the corrective action plan section of this report.

### OKLAHOMA STATE DEPARTMENT OF HEALTH

**FINDING NO:** 2019-041

**STATE AGENCY:** Oklahoma State Department of Health (OSDH)

**FEDERAL AGENCY:** Centers for Disease Control and Prevention

**CFDA NO:** 93.268

**FEDERAL PROGRAM NAME:** Immunization Cooperative Agreements

**FEDERAL AWARD NUMBER:** 6 NH23IP000766-05-05

**FEDERAL AWARD YEAR:** 2018 and 2019

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

**Criteria:** 45 CFR 75 Appendix VII Section (E) (1) states, "Indirect cost rates will be reviewed, negotiated, and approved by the cognizant agency on a timely basis. Once a rate has been agreed upon, it will be accepted and used by all Federal agencies unless prohibited or limited by statute."

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

**Condition and Context:** While documenting the internal controls related to indirect costs, we were unable to obtain any supporting documentation for the indirect cost journal entry selected for testing. We used the indirect cost calculation method documented by agency and were unable to calculate the same amounts documented on the provided journal entry. However, the indirect costs charged to the grant by the Agency for SFY 2019 were less in total than the amount allowed based on calculating the indirect cost base times the approved indirect cost rate for SFY 2019.

**Cause:** Management has not implemented adequate controls to ensure that indirect costs are properly supported.

**Effect:** The indirect costs charged to the grant may not be accurate or in compliance with the approved indirect costs.

**Recommendation:** We recommend the OSDH ensure that indirect costs supporting documentation is maintained for the calculations made and journal entries posted.

**Views of Responsible Official(s)**

**Contact Person:** Bethany Ledel

**Anticipated Completion Date:** April 15, 2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-068

**STATE AGENCY:** Oklahoma State Department of Health (OSDH)

**FEDERAL AGENCY:** Health Resources and Services Administration (HRSA)

**CFDA NO:** 93.917

**FEDERAL PROGRAM NAME:** HIV Care Formula Grant

**FEDERAL AWARD NUMBER:** 6 X07HA00048-28-01, 5 X07HA00048-29-00

**FEDERAL AWARD YEAR:** 2018, 2019

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

**QUESTIONED COSTS:** \$27,946

## Schedule of Findings And Questioned Costs

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**Criteria:** 45 CFR 75.405 (d) *Allocable costs* states, “Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, . . . , the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.”

45 CFR 75.303 (a) *Internal Control* 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.”

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

**Condition and Context:** During comparison of the State Fiscal Year 2019 Ryan White program payroll payments recorded in the TE105BDS reports from the OSDH Time and Effort (Actuals) system to the amount of payroll recorded in the GraceR20 FISCAL data (Budget), we noted \$27,946 (5.09%) in payroll appears to have been overcharged to the Ryan White program.

**Cause:** OSDH did not ensure that amounts allocated in the Grace R20 FISCAL data to the program were reconciled or adjusted to actual costs per the Time and Effort system reports.

**Effect:** Payroll expenditures charged to the Federal program were in excess of the actual payroll incurred for the program.

**Recommendation:** We recommend OSDH review the procedures to reconcile and adjust the GraceR20 FISCAL data and make the necessary changes to ensure timely adjustments are made to align the actual payroll costs charged to the grant with the accounting records.

### **Views of Responsible Official(s)**

**Contact Person:** Danielle Durkee

**Anticipated Completion Date:** September 30, 2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-069 (Repeat 2018-003)

**STATE AGENCY:** Oklahoma State Department of Health (OSDH)

**FEDERAL AGENCY:** Health Resources and Services Administration (HRSA)

**CFDA NO:** 93.917

**FEDERAL PROGRAM NAME:** HIV Care Formula Grant

**FEDERAL AWARD NUMBER:** 6 X07HA00048-28-01, 5 X07HA00048-29-00

**FEDERAL AWARD YEAR:** 2018, 2019

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

**QUESTIONED COSTS:** \$0

**Criteria:** 45 CFR 75.302 *Financial management and standards for financial management systems.* (a) states, “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 own funds. In addition, the state's and the other non-Federal entity's 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 general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.”

## Schedule of Findings And Questioned Costs

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45 CFR 75.302 (b)(4) states, “Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.”

**Condition and Context:** For the first quarter of state fiscal year 2019, OSDH did not maintain separate accounting/fund for the HIV Care Grant (Ryan White program) rebates in the Statewide Accounting System. The rebate funds were comingled with other federal funds in Class Fund 400.

**Cause:** During the implementation of the Statewide Accounting System, no process/class fund was put in place to account for Ryan White program funds independently of other Federal funds. However, during SFY 2019 two class funds were created to account for Ryan White Program funds and Ryan White Rebate funds separate from other funds in the Statewide Accounting System.

**Effect:** For the first quarter of state fiscal year 2019, OSDH was unable to support that Ryan White program rebate funds were used in accordance with Federal regulations and the terms and conditions of the Federal award. Restricted Ryan White rebate funds may have been used for purposes unrelated to the Ryan White program.

**Recommendation:** During SFY 2019, OSDH established a separate class funds in the Statewide Accounting System for Ryan White program rebates in order to ensure compliance with Federal regulations. We have no further recommendations.

### **Views of Responsible Official(s)**

**Contact Person:** Jennifer Reeves

**Anticipated Completion Date:** August 21, 2018

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-070

**STATE AGENCY:** Oklahoma State Department of Health (OSDH)

**FEDERAL AGENCY:** Health Resources and Services Administration (HRSA)

**CFDA NO:** 93.917

**FEDERAL PROGRAM NAME:** HIV Care Formula Grant

**FEDERAL AWARD NUMBER:** 6 X07HA00048-28-01, 5 X07HA00048-29-00

**FEDERAL AWARD YEAR:** 2018, 2019

**CONTROL CATEGORY:** Subrecipient Monitoring

**QUESTIONED COSTS:** \$0

**Criteria:** 45 CFR §75.303(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 terms and conditions of the Federal award....”

Per 45 CFR 75.342 *Monitoring and reporting program performance*, (a) *Monitoring by the non-Federal entity*. “The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity....”

Per 45 CFR 75.352 *Requirements for pass-through entities*. “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 other means. (3) Issuing a management



## Schedule of Findings And Questioned Costs

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decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §75.521.”

**Condition and Context:** For two (2) of three (3) (66%) subrecipients tested, OSDH did not perform subrecipient monitoring in accordance with the contract monitoring plan (CMP) established by OSDH.

**Cause:** OSDH did not perform monitoring activities to ensure subrecipients were monitored in accordance with the CMP due to lack of personnel.

**Effect:** Without sufficient monitoring, subrecipients may be non-compliant with the terms and conditions of the subaward and achieve performance goals.

**Recommendation:** We recommend OSDH hire additional employees or adjust monitoring workloads to ensure OSDH is able to adequately monitor subrecipients in accordance with the CMP.

### **Views of Responsible Official(s)**

**Contact Person:** Robert Goad

**Anticipated Completion Date:** July 1, 2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-071

**STATE AGENCY:** Oklahoma State Department of Health (OSDH)

**FEDERAL AGENCY:** Health Resources and Services Administration (HRSA)

**CFDA NO:** 93.917

**FEDERAL PROGRAM NAME:** HIV Care Formula Grant

**FEDERAL AWARD NUMBER:** 6 X07HA00048-28-01, 5 X07HA00048-29-00

**FEDERAL AWARD YEAR:** 2018, 2019

**CONTROL CATEGORY:** Subrecipient Monitoring

**QUESTIONED COSTS:** \$0

**Criteria:** 45 CFR §75.303(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 terms and conditions of the Federal award...”

Per 45 CFR §75.352(a)(1)(iii), *Requirements for pass-through entities*, “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. (iii) Federal Award Identification Number (FAIN);”

**Condition and Context:** For one (1) out of three (3) (33%) subrecipients tested, OSDH did not include the Federal Award Identifying Number (FAIN) in the subaward documentation. During SFY 2019, OSDH included the FAIN in the subaward renewal information; however, the subrecipient did not renew thus the information was not provided.

**Cause:** OSDH’s control process did not ensure required award information was included in the initial subaward documents. Further, OSDH was correcting the prior period finding during the subsequent award and this subrecipient did not renew and was not sent the updated award information.

**Effect:** Without identification of required award information, subrecipients may not be aware of the requirements of the program and may not use the subaward for authorized purposes, comply with the terms and conditions of the subaward, and achieves performance goals (45 CFR sections 75.352(d) through (f)).

## Schedule of Findings And Questioned Costs

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**Recommendation:** We recommend OSDH continue to strengthen the contracting processes to ensure required award information is provided to subrecipients at the time of the subaward.

**Views of Responsible Official(s)**

**Contact Person:** Robert Goad

**Anticipated Completion Date:** February 1, 2019

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-072 (Repeat 2018-001)

**STATE AGENCY:** Oklahoma State Department of Health (OSDH)

**FEDERAL AGENCY:** Health Resources and Services Administration (HRSA)

**CFDA NO:** 93.917

**FEDERAL PROGRAM NAME:** HIV Care Formula Grant

**FEDERAL AWARD NUMBER:** 6 X07HA00048-28-01, 5 X07HA00048-29-00

**FEDERAL AWARD YEAR:** 2018, 2019

**CONTROL CATEGORY:** Reporting – Schedule of Expenditures of Federal Awards

**QUESTIONED COSTS:** \$0

**Criteria:** Per 45 CFR §75.303, “*Internal controls.* 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). (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards...”

Per 45 CFR §75.502 (a), “*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....”

Per 45 CFR §75.510 (b), “*b) 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 §75.502....”

**Condition and Context:** The original FY 2019 Schedule of Expenditures of Federal Awards (SEFA – GAAP Package Z) submitted by the Oklahoma State Department of Health to the Office of Management and Enterprise Services (OMES) incorrectly reported the following amounts for the HIV Care Formula Grant:

- overstated the cash basis federal revenue for CFDA #93.917 by \$2,113,424
- overstated the cash basis federal expenditures for CFDA #93.917 by \$2,225,546
- overstated the amount transferred to state agencies for CFDA #93.917 by \$60,030
- overstated the amount provided to non-state agency subrecipients for CFDA #93.917 by \$2,052,305

**Cause:** The review process for the SEFA’s did not detect these errors. Also, it appears OSDH calculated the CFDA #93.917 cash basis amounts by including non-Federal rebates in Federal cash basis calculation. Per Federal guidance, the rebates are not considered Federal funds for reporting purposes.

**Effect:** The Federal awarding agency requires accurate reporting in a state’s SEFA to determine Federal program expenditures.

**Recommendation:** We recommend OSDH amend the SFY 2019 SEFA to reflect the correct cash basis amounts. Further, we recommend OSDH evaluate the current procedures to determine where the breakdown of internal controls occurred and implement the necessary changes or training to ensure accurate reporting on the SEFA (GAAP Package Z) in the future.

## Schedule of Findings And Questioned Costs

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*Views of Responsible Official(s)*

**Contact Person:** Bethany Ledel

**Anticipated Completion Date:** March 1, 2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-073

**STATE AGENCY:** Oklahoma State Department of Health (OSDH)

**FEDERAL AGENCY:** Centers for Disease Control and Prevention

**CFDA NO:** 93.268

**FEDERAL PROGRAM NAME:** Immunization Cooperative Agreements

**FEDERAL AWARD NUMBER:** 6 NH23IP000766-05-05

**FEDERAL AWARD YEAR:** 2018 and 2019

**CONTROL CATEGORY:** Special Test and Provisions

**Criteria:** Per 45 CFR §75.361, “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 HHS awarding agency or pass-through entity in the case of a subrecipient. HHS awarding agencies and pass-through entities must not impose any other record retention requirements upon non-Federal entities.”

Per 45 CFR §75.364(a), “Records of non-Federal entities. The HHS 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 Tracking Summaries for the QA VFC Site Visits performed during SFY 2019 were not properly maintained and do not report the entire population of VFC Site Visits performed in SFY 2019. Additionally, for 5 out of a sample of 60 QA VFC Site Visits (8.33%), OSDH was unable to provide the VFC *Follow-up Plan Acknowledgement of Receipt*.

**Cause:** OSDH did not complete the Tracking Summaries for all QA VFC Site Visits performed during SFY 2019. OSDH also did not properly maintain copies of the *VFC Follow-up Plan Acknowledgement of Receipt*.

**Effect:** Without properly completed Tracking Summaries, it is not possible to verify the population of QA VFC Site Visits performed during SFY 2019. In addition, OSDH may not have completed all required VFC site visits. Also, we were not able to verify the accuracy of the *VFC Follow-up Plan Acknowledgement of Receipts* because the records were not made available for audit.

**Recommendation:** We recommend OSDH implement a process to have the Tracking Summaries for the QA VFC Site Visits completed and reviewed by management to ensure that all required site visits are being tracked. We also recommend that OSDH maintain all supporting records for the QA VFC Site Visits in a central location to allow all records to be made available when required.

*Views of Responsible Official(s)*

**Contact Person:** Fauzia Khan

**Anticipated Completion Date:** July 1, 2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-084

**STATE AGENCY:** Oklahoma State Department of Health (OSDH)

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**FEDERAL AGENCY:** Centers for Disease Control and Prevention  
**CFDA NO:** 93.268  
**FEDERAL PROGRAM NAME:** Immunization Cooperative Agreements  
**FEDERAL AWARD NUMBER:** 6 NH23IP000766-05-05  
**FEDERAL AWARD YEAR:** 2018 and 2019  
**CONTROL CATEGORY:** Cash Management and Reporting

**Criteria:** Per 45 CFR §75.303 *Internal controls*, “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). (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards. ...”

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:** As a result of our procedures, we noted the cash basis Federal revenue for the Immunization Cooperative Agreements Program (CFDA #93.268) was understated on the SFY 2019 GAAP package Z by \$384,087.

**Cause:** OSDH did not calculate the CFDA #93.268 Vaccines Distribution (Non-Cash) amount correctly and the review process for the GAAP package Z did not detect this error.

**Effect:** Because the GAAP package was not properly completed, information included in the State of Oklahoma SEFA may be inaccurate or not complete.

**Recommendation:** We recommend OSDH amend the SFY 2019 GAAP package Z to reflect the correct cash basis amounts for Federal revenue. Further, we recommend OSDH evaluate the current procedures to determine where the breakdown of internal controls occurred and implement the necessary changes or training to ensure accurate reporting on the GAAP package Z in the future.

### **Views of Responsible Official(s)**

**Contact Person:** Fauzia Khan

**Anticipated Completion Date:** July 1, 2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-085  
**STATE AGENCY:** Oklahoma State Department of Health (OSDH)  
**FEDERAL AGENCY:** Centers for Disease Control and Prevention  
**CFDA NO:** 93.268  
**FEDERAL PROGRAM NAME:** Immunization Cooperative Agreements  
**FEDERAL AWARD NUMBER:** 6 NH23IP000766-05-05  
**FEDERAL AWARD YEAR:** 2018 and 2019  
**CONTROL CATEGORY:** Activities Allowed and Unallowed and Allowable Costs and Cost Principles  
**QUESTIONED COSTS:** \$29,262

**Criteria:** 45 CFR 75.405 *Allocable costs* (d) states, “Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, ..., the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. ...”

## Schedule of Findings And Questioned Costs

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45 CFR 75.303 *Internal Controls* 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...”

45 CFR 75.403 *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: (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles. ...”

45 CFR 75.431 *Compensation – fringe benefits* (c) states, “... Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices.”

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

**Condition and Context:** The Office of Management and Enterprise Services (OMES) informed agencies in February 2018 that any excess Pathfinder contributions (account code 513300 in the Statewide Accounting System) that went to the OPERS defined benefit plan were not an allowable charge to Federal grants. The Federal government maintains that the amount used to fund the defined benefit plan is an overcharge to Federal programs. As a result, OMES informed the agencies they would repay the unallowable costs from inception (state fiscal year 2016) through 2/20/18. However, any agencies charging Federal grants for the unallowable cost after that point would be required to repay on their own.

When reviewing the excess Pathfinder costs for the Immunization Cooperative Agreements program (CFDA 93.268), we noted a total of \$29,262 of unallowable costs were charged to the program during SFY 2019.

**Cause:** The Oklahoma State Department of Health did not ensure that charges made to the Immunization Cooperative Agreement program for unallowable costs was discontinued after 2/20/2018.

**Effect:** OSDH has overcharged the grant \$29,262 during SFY 2019 with its excess Pathfinder costs, which are an unallowable cost.

**Recommendation:** We recommend the Oklahoma State Department of Health develop and implement procedures to ensure Pathfinder excess contributions (account 513300) are not charged to Federal grants.

**Views of Responsible Official(s)**

**Contact Person:** Danielle Durkee

**Anticipated Completion Date:** July 1, 2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

### OKLAHOMA DEPARTMENT OF HUMAN SERVICES

**FINDING NO:** 2019-001

**STATE AGENCY:** Oklahoma Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.575, 93.596

**FEDERAL PROGRAM NAME:** CCDF Cluster

**FEDERAL AWARD NUMBER:** 1801OKCCDF and 1901OKCCDF

**FEDERAL AWARD YEAR:** 2018 and 2019

**CONTROL CATEGORY:** Special Tests and Provisions - Health and Safety Requirements

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### QUESTIONED COSTS: \$0

**Criteria:** CFR 45 §98.41 Health and safety requirements states, in part, “(a) Although the Act specifically states it does not require the establishment of any new or additional requirements if existing requirements comply with the requirements of the statute, 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 designed to protect the health and safety of children that are applicable to child care providers of services for which assistance is provided under this part. Such requirements shall include:

- (1) The prevention and control of infectious diseases (including immunizations).
- (2) Building and physical premises safety; and
- (3) Minimum health and safety training appropriate to the provider setting.”

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, “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.”

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:** We noted the following for a sample of 60 of 1,738 daycare centers and homes:

- 1 center (0.06%) where the fire inspector visits were not up to date,
- 3 centers/homes (5%) where the fire extinguisher was expired but was not noted as non-compliant.
- 3 centers (5%) where no carbon monoxide test date was noted, and no non-compliance was noted.
- 60 centers/homes (100%) where we could not determine that monitoring checklists were adequately documented in relation to compliance with the health and safety requirements.

During walk-through of the monitoring checklist software application, we observed under each header a drop-down box containing the requirements applicable to the header. When non-compliance is 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, it does not appear that the tracking mechanism for monitoring visits is being consistently used to ensure that all daycare facilities and homes are being monitored in accordance with their applicable Monitoring Frequency Plan (MFP) or that follow-up is taking 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,

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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:** Monitoring checklists and summary reports are not designed in a manner that allows a reviewer to see what is being 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 may not be 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, the lack of a required comparison back to the work plan reports could potentially result in a facility not being monitored appropriately.

**Recommendation:** We recommend the agency implement procedures to ensure all monitoring visits are documented in a manner that clearly conveys that 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:** December 1, 2020

**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 State Auditor's Office did not recommend that DHS add an attestation statement to their checklists, this was a compromise reached between the State Auditor's Office and DHS. At the time the compromise was reached the checklist used by DHS to monitor daycare centers and homes was more detailed. The current checklist provides detail under each header only if you are looking at an electronic version of the checklist where you can click on the header. Once completed by CCS staff, these checklists are maintained in hardcopy/scanned format, therefore it was the hardcopies we used during testwork. In looking at the checklists we, as the auditor, are unable to determine if the CCS staff member properly reviewed all aspects of the checklist since there are no markings required unless the requirement is non-compliance or not required. We cannot say with certainty that health and safety standards have been monitored.

**FINDING NO:** 2019-014

**STATE AGENCY:** Oklahoma Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.558

**FEDERAL PROGRAM NAME:** TANF Cluster

**FEDERAL AWARD NUMBER:** G1801OKTANF; G1901OKTANF

**FEDERAL AWARD YEAR:** 2018, 2019

**CONTROL CATEGORY:** Maintenance of Effort

**QUESTIONED COSTS:** \$12,079,313 (*State funding utilized for MOE*)

**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)."

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

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through the public education system do not count unless they meet the requirements under paragraph (a) of this section.”

Additionally, ACF guidance TANF-ACF-PI-2005-01 states, “All MOE funds must be spent on TANF “eligible families”. One of the qualified activities for which funds may be claimed includes “educational activities to increase self-sufficiency, job training and work”. However, section 409(a)(7)(B)(i)(I)(cc) of the Social Security Act explicitly excludes “any expenditure for public education in the State except expenditures which involve the provision of services or assistance to a member of an eligible family which is not generally available to persons who are not members of an eligible family”. The foregoing statutory language prohibits any and all public education expenditures not meeting the exception, including any pre-kindergarten or early childhood education services included as a component of a State’s public education system.

The 2018 State Preschool Yearbook published by the National Institute of Early Education Research, indicates 99% of Oklahoma school districts offer a state Pre-K program with no income requirement.

Also, per review of the Oklahoma State Department of Education (OSDE) website (posting dated 4/17/19), Oklahoma is one of the top 8 states for Pre-K with 74% of Oklahoma 4-year olds enrolled in public Pre-K program.

**Condition and Context:** The Pre-K expenditures utilized as TANF MOE are documented through a state certified share letter the OKDHS receives from the OSDE. This letter certifies the amount of OSDE Pre-K expenditures from state appropriated funds, as determined by the state aid formula, that are not being used as MOE for any federal funding at OSDE. OKDHS receives a state certified share letter annually and determines how much of the total certified expenditure amount will be utilized as TANF MOE. During SFY19 \$12,079,313 of the total \$60,119,714 reported as TANF MOE (20%) were OSDE Pre-K expenditures certified by OSDE letter. This state certified share letter is the only support available at OKDHS to support the Pre-K expenditures used as TANF MOE.

Also, as stated in the criteria above, per OSDE records 99% of Oklahoma school districts offer a state Pre-K program with no income requirement and 74% of Oklahoma 4-year olds are enrolled in public Pre-K. These statistics indicate the Pre-K expenditures that are certified by OSDE and used by OKDHS as TANF MOE are generated from a program that is a component of Oklahoma’s public education system and therefore prohibited from being utilized as TANF MOE.

**Cause:** OKDHS personnel were unaware of the requirements relating to Pre-K expenditures utilized for TANF MOE.

**Effect:** \$12,079,313 in expenditures that did not meet the requirements to be used as MOE were reported as TANF MOE for SFY19.

**Recommendation:** We recommend that agency cease the practice of using State funded Pre-K expenditures to meet TANF MOE requirements. We also recommend the agency design and implement internal controls and develop written policies and procedures to prevent expenditures from being utilized as MOE unless they meet TANF MOE requirements.

### **Views of Responsible Official(s)**

**Contact Person:** Chris Smith

**Anticipated Completion Date:** July 1, 2019

**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:** 2019-015

**STATE AGENCY:** Oklahoma Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.558

**FEDERAL PROGRAM NAME:** TANF Cluster

**FEDERAL AWARD NUMBER:** G1801OKTANF; G1901OKTANF



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**FEDERAL AWARD YEAR:** 2018, 2019

**CONTROL CATEGORY:** Maintenance of Effort

**QUESTIONED COSTS:** \$7,090,471 (*State funding utilized for MOE*)

**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).”

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 in early July 2019 regarding the process in place over childcare subsidies utilized as TANF MOE to ensure the families receiving these childcare subsidies were income eligible for the TANF program. OKDHS provided SAI a full caseload report of all childcare records. The data file included an income field which *could* be correlated to find cases with income below \$932 per month that *could have been* used as TANF MOE. This file was not a listing of cases *actually used* for TANF MOE purposes because OKDHS does not have record of the specific cases utilized as TANF MOE during SFY19.

During follow-up with agency personnel, it was noted this data file was compiled after SAI began inquiry in order to support the amount of childcare claimed as TANF MOE for SFY19. The area providing the data file submitted the requested file in late-July 2019 and did not have record of ever providing this type of information prior to this date. Further inquiry indicated that after SAI inquiry, OKDHS began working on a procedure for gathering data and developing a monthly report showing payment data for families that receive childcare subsidies. Income is one of the fields that will be included so that compliance with TANF eligibility can be established in the future. However, this process was not in place during SFY19 or prior.

Based on this information, it does not appear OKDHS had any knowledge that the childcare costs being charged as TANF MOE throughout SFY19 were made to, or on behalf of, TANF eligible families. Because of this, we question the \$7,090,471 utilized as TANF MOE during SFY19, which represents 12% of the required \$60,119,713 in TANF MOE.

**Cause:** OKDHS personnel were unaware of TANF MOE requirements as they relate to childcare expenditures.

**Effect:** Childcare expenditures reported as TANF MOE may not have been made to, or on behalf of, TANF eligible families.

**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. This should include the ability to track these costs to the individual case file level in order to demonstrate exactly which cases are being utilized to meet TANF MOE requirements.

**Views of Responsible Official(s)**

**Contact Person:** Chris Smith

**Anticipated Completion Date:** July 1, 2019

**Corrective Action Planned:** The Department of Human Services agrees with the internal control aspect of the finding but do not agree with the questioned costs. Please see the corrective action plan located in the corrective action plan section of this report.

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**Auditor Response:** Although management indicates they have the appropriate data to prove the costs were used appropriately, we were unable to obtain documentation indicating specifically which TANF cases the daycare costs applied to and therefore were unable to determine the costs were paid to, or on behalf of, TANF eligible families. Additionally, the state fiscal year 2019 data noted in the response was not compiled until after state fiscal year end and after inquiries from our office began. Therefore, when these costs were incurred and reported, DHS did not know that the payments were made to, or on behalf of, TANF eligible families.

**FINDING NO:** 2019-016 (Repeat 2018-067)  
**STATE AGENCY:** Oklahoma Department of Human Services  
**FEDERAL AGENCY:** United States Department of Agriculture  
**CFDA NO:** 10.551  
**FEDERAL PROGRAM NAME:** SNAP Cluster  
**FEDERAL AWARD NUMBER:** N/A  
**FEDERAL AWARD YEAR:** 2018 & 2019  
**CONTROL CATEGORY:** Special Tests and Provisions - EBT Card Security  
**QUESTIONED COSTS:** \$0

**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 § 274.41(a)(1)(i) states in part “State Agencies shall reconcile their issuances daily using daily tally sheets, cashiers’ daily reports, tapes or printouts.” Also, according to OKDHS’ Electronic Payments Handbook, “At the end of each day, the unused (EBT) cards will be returned to inventory, signed in by the EBT Specialist, and initialed by the County Director or designee.”

According to OKDHS’ Electronic Payments Handbook, “Cards returned by mail or dropped off at the county office must be properly logged and shredded under the following procedures... 3) The card log and the cards will be provided to the supervisor for audit. The supervisor will ensure the cards have been logged and deactivated. 4) The two staff will then conduct the destruction of the cards received. Each staff must sign the log confirming the count, status change (if active) and destruction.”

7 CFR §274.8(b)(3) states in part, “As an addition to or component of the Security Program required of Automated Data Processing systems prescribed under § 277.18(m) of this chapter, the State agency shall ensure that the following EBT security requirements are established:

(i) Storage and control measures to control blank unissued EBT cards and PINs, and unused or spare POS devices.”

Best practice includes the security of Electronic Benefit Transaction (EBT) cards, which includes the security of the cards themselves as well as the security of the keys to the cards, the daily reconciliation of EBT cards, deactivation of an EBT card prior to destruction and dual sign-off confirming EBT card destruction.

### **Condition and Context:**

Based on procedures performed on 60 out of 12,323 EBT cards on DHS destruction logs from SFY 2019 we noted:

- Fifteen (25%) of the EBT cards were still active after the destruction process.
- Four (6.67%) of the EBT card destruction processes was not performed by two employees.

Based on procedures performed on 8 out of 76 county office locations, we noted:

- Four (50%) offices did not keep keys to the EBT card inventory secured.
- Three (37.5%) offices did not maintain the EBT cards in a secure office location where access is restricted to designated staff.

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- Five (62.5%) offices' inventory logs did not support that the inventory count was performed by two individuals at the end of each day.
- One (12.5%) office did not use the 10EB001E 'Daily Card Count' form as prescribed by DHS' Electronic Payment Handbook.

**Cause:** OKDHS policies and procedures related to the inventory accounting, security, and destruction process of EBT cards are not consistently followed by field employees.

**Effect:** EBT cards are at risk of improper use leading to potential misuse or misappropriation of Supplement Nutrition Assistance Program (SNAP) benefits.

**Recommendation:** We recommend DHS ensure policies and procedures related to inventory accounting, security, and the destruction process of the cards are consistently followed. 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:** Thomas Pennington

**Anticipated Completion Date:** January 2020

**Corrective Action Planned:** The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action section of this report.

**FINDING NO:** 2019-024

**STATE AGENCY:** Oklahoma Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.558

**FEDERAL PROGRAM NAME:** TANF Cluster

**FEDERAL AWARD NUMBER:** G1801OKTANF

**FEDERAL AWARD YEAR:** 2018

**CONTROL CATEGORY:** Reporting

**QUESTIONED COSTS:** \$0

**Criteria:** 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 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;

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- (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 Child Care Assistance average monthly total number of families served under the program with MOE funds (line 8.b and line 8.d) 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 531 cases served.

**Cause:** The figure reported on line 8.b and line 8.d of the ACF-204 was not adequately reviewed for accuracy prior to submission.

**Effect:** The Department may not be in compliance with the above instructions and 45 CFR 265.9(c) requirements, which may result in applicable MOE penalties and inaccurate data may be reported to Congress.

**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:** Paulette Kendrick

**Anticipated Completion Date:** April 30, 2020

**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:** 2019-025 (TANF Cluster Repeat 2016-013)

**STATE AGENCY:** Oklahoma Department of Human Services and Oklahoma Health Care Authority

**FEDERAL AGENCY:** United States Department of Agriculture and Department of Health and Human Services

**CFDA NO:** 10.551, 93.558, 93.575, 93.596, and 93.778

**FEDERAL PROGRAM NAME:** SNAP Cluster, TANF Cluster, CCDF Cluster, and Medicaid Cluster

**FEDERAL AWARD NUMBER:** G1801OKTANF, G1901OKTANF, G1801OKCCDF, G1901OKCCDF, 1805OK5MAP, and 1905OK5MAP

**FEDERAL AWARD YEAR:** 2018 and 2019

**CONTROL CATEGORY:** Special Tests and Provisions – ADP System for SNAP (SNAP Cluster); Special Tests and Provisions – Income Eligibility and Verification System (TANF Cluster); Eligibility (CCDF Cluster and Medicaid Cluster)

**QUESTIONED COSTS:** \$0

**Criteria:** Each State shall participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act as amended. The State is required to review and compare the information obtained

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from each data exchange against information contained in the case record to determine whether it affects the individual's eligibility or level of assistance, benefits or services under the applicable program.

45 CFR 205.56(a)(1)(iv) states, "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...."

DHS Policy OAC 340:65-3-4-4 (C) states in part, Automated data exchange with other agencies provides DHS with information regarding household members' benefits, wages, taxes, Social Security numbers, and current addresses. The system compares information obtained electronically with data stored within DHS electronic records to determine if there are discrepancies to be addressed. Automated data exchange information is also available within the DHS system to determine discrepancies. The worker is responsible for: (C) resolving data exchange discrepancy messages within 45-calendar days of the date the message is posted on the data exchange inquiry screen.

**Condition and Context:** We reviewed the SFY 2019 (July 1, 2018 – June 30, 2019) 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 184,183, or 46.98%, of a total of 392,079 exceptions were not resolved within the required 45 calendar day period as noted in the following schedule.

<b>ERROR TYPE</b>	<b>OPEN &amp; RESOLVED G1DX EXCEPTIONS OVER 45 DAYS</b>	<b>TOTAL OPEN &amp; RESOLVED G1DX EXCEPTIONS</b>	<b>% OF EXCEPTIONS OVER 45 DAYS</b>
BEN	10,640	37,125	28.66%
CSE	9,702	16,586	58.50%
DOD	924	1,565	59.04%
ENU	7,205	11,849	60.81%
IEV	3,255	7,432	43.80%
NNH	60,738	131,947	46.03%
OWG	14,348	31,787	45.14%
PRS	2,452	4,369	56.12%
SDX	27,515	71,080	38.71%
SNH	44,855	72,335	62.01%
UIB	2,549	6,004	42.46%
<b>TOTAL</b>	<b>184,183</b>	<b>392,079</b>	<b>46.98%</b>

The G1DX System is a DHS application that compares client information entered by a DHS employee and DHS 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)

## Schedule of Findings And Questioned Costs

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**Cause:** The discrepancies were not cleared within the allowable 45 days per federal regulation and DHS policy due to an inadequate number of personnel assigned to these duties. Additionally, management is not closely monitoring the clearance of G1DX discrepancies.

**Effect:** The Department may not be in compliance with the above stated requirement, which may result in ineligible individuals receiving program benefits.

**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:** Paulette Kendrick

**Anticipated Completion Date:** July 1, 2020

**Corrective Action Planned:** The Department of Human Services agrees with the finding. Please see corrective action plan located in the corrective action plan section of this report. Additionally, management of the Oklahoma Health Care Authority concurs with the finding. Please see the OHCA corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-027

**STATE AGENCY:** Oklahoma Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.558

**FEDERAL PROGRAM NAME:** TANF Cluster

**FEDERAL AWARD NUMBER:** G1801OKTANF and G1901OKTANF

**FEDERAL AWARD YEAR:** 2018 and 2019

**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 telephone 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, if contact is made, the reasons given by the client for failure to participate.”

**Condition and Context:** For a sample of 60 of 1,541 case sanction or closure occurrences, we noted six occurrences (10% 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:** Internal controls regarding proper documentation were not followed.

**Effect:** The Department may not be in compliance with the above stated policy, which may result in individuals not meeting TANF work participation requirement with good cause to be denied TANF benefits.

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**Recommendation:** We recommend the Department follow policy and make every effort to contact individuals to determine good cause and document their efforts as required. Also, we recommend the Department follow agency procedures to 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:** Paulette Kendrick

**Anticipated Completion Date:** July 1, 2020

**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:** 2019-028

**STATE AGENCY:** Oklahoma Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.558

**FEDERAL PROGRAM NAME:** TANF Cluster

**FEDERAL AWARD NUMBER:** G1801OKTANF and G1901OKTANF

**FEDERAL AWARD YEAR:** 2018 and 2019

**CONTROL CATEGORY:** Special Tests and Provisions – Child under Six When Child Care Not Available

**QUESTIONED COSTS:** \$0

**Criteria:** 45 CFR Sec. 261.15(a) states in part “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, as specified at § 261.56...”

45 CFR Sec. 261.56(c)(1) states “The TANF agency must inform parents about the penalty exception to the TANF work requirement, including the criteria and applicable definitions for determining whether an individual has demonstrated an inability to obtain needed childcare.”

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 reasons for failure to participate.”

**Condition and Context:** For a sample of 60 of 889 case sanction or closure occurrences with one adult and at least one child under six years of age, we noted two occurrences (3.3%) 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:** Internal controls regarding proper documentation were not followed.

**Effect:** The Department may not be in compliance with the above stated policy, which may result in individuals not meeting TANF work participation requirement with good cause to be denied TANF benefits.

**Recommendation:** We recommend the Department follow policy and make every effort to contact individuals to determine good cause and document their efforts as required. Also, we recommend the Department follow established procedures to ensure that documentation of their effort to contact individuals to determine good cause is maintained in the case records.

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### *Views of Responsible Official(s)*

**Contact Person:** Paulette Kendrick

**Anticipated Completion Date:** July 1, 2020

**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:** 2019-031

**STATE AGENCY:** Oklahoma Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.575, 93.596

**FEDERAL PROGRAM NAME:** CCDF Cluster

**FEDERAL AWARD NUMBER:** G1801OKCCDF and G1901OKCCDF

**FEDERAL AWARD YEAR:** 2018 and 2019

**CONTROL CATEGORY:** Matching, Level of Effort, Earmarking

**QUESTIONED COSTS:** \$5,720,906

**Criteria:** Per 45 CFR §75.303(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 terms and conditions of the Federal award...”

Per 45 CFR §98.53(h), Matching fund requirements: “Public pre-kindergarten (pre-K) expenditures:

- (1) May be used to meet the maintenance-of-effort requirement only if the State has not reduced its expenditures for full-day/full-year childcare services; and
- (2) May be eligible for Federal match if the State includes in its Plan, as provided in § 98.16(q), a description of the efforts it will undertake to ensure that pre-K programs meet the needs of working parents.
- (3) In any fiscal year, a State may use public pre-K funds for up to 20% of the funds serving as maintenance-of-effort under this subsection. In addition, in any fiscal year, a State may use other public pre-K funds as expenditures serving as State matching funds under this subsection; such public pre-K funds used as State expenditures may not exceed 30% of the amount of a State’s expenditures required to draw down the State’s full allotment of Federal matching funds available under this subsection.”

Per 42 U.S. Code §9858e(a)(1), Activities to improve the quality of child care: “Reservation for activities relating to the quality of child care services a State that receives funds to carry out this subchapter for a fiscal year referred to in paragraph (2) shall reserve and use a portion of such funds, in accordance with paragraph (2), for activities provided directly, or through grants or contracts with local child care resource and referral organizations or other appropriate entities, that are designed to improve the quality of child care services and increase parental options for, and access to, high-quality child care, and is in alignment with a Statewide assessment of the State’s needs to carry out such services and care, provided in accordance with this subchapter.

- (2) Amount of reservations such State shall reserve and use— (A) to carry out the activities described in paragraph (1), not less than -
  - (i) 7 percent of the funds described in paragraph (1), for the first and second full fiscal years after November 19, 2014;
  - (ii) 8 percent of such funds for the third and fourth full fiscal years after November 19, 2014; and
  - (iii) 9 percent of such funds for the fifth and each succeeding full fiscal year after November 19, 2014; and

B) in addition to the funds reserved under subparagraph (A), 3 percent of the funds described in paragraph (1) received not later than the second full fiscal year after November 19, 2014, and received for each succeeding full fiscal year, to carry out the activities described in paragraph (1) and subsection (b)(4), as such activities relate to the quality of care for infants and toddlers.”

**Condition and Context:** The Department of Human Services (DHS) uses an internal Excel spreadsheet to ensure that matching, level of effort, and earmarking requirements are tracked and met at the end of the federal fiscal year (FFY). Based on our review of the CCDF tracking spreadsheet applicable to FFY 2018, we noted that the transfer



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from the Social Services Block Grant (SSBG) to CCDF was not properly tracked. The spreadsheet reflected a total of \$23,333 in total SSBG funds transferred, whereas the actual amount transferred from SSBG was \$70,000.

For the FFY 2018, DHS was unable to support that it met the 8 percent required minimum amount reserved for quality activities. Additionally, DHS was unable to support that it met the 3 percent required minimum amount reserved for quality of care for infants and toddlers.

DHS claimed pre-Kindergarten expenditures as matching and maintenance-of-effort on its SFY 2019 SEFA; however, DHS was unable to provide supporting documentation applicable to the FFY 2018 period subject to our audit procedures to determine compliance with matching and MOE requirements. Consequently, appropriate use of pre-K expenditures for MOE and matching could not be determined.

**Cause:** The program accountant did not ensure that the tracking spreadsheet accurately reflects the program's funding activity. DHS encountered repeated turnover in the program accountant position related to the CCDF program. Supporting records and grant accounting methodologies were not maintained to ensure matching, level of effort, and earmarking requirements were met and verifiable by agency personnel other than the program accountant.

**Effect:** Matching, Level of Effort, and Earmarking requirements were not properly monitored to ensure compliance with federal requirements. The Agency is not in compliance with minimum earmarking requirements. Quality activities were underspent by \$1,043,864 and quality improvements for infant and toddlers were underspent by \$4,677,042. Additionally, the Agency may have used Pre-K expenditures exceeding the required maximum and expenditures may have been used for both MOE and matching purposes.

**Recommendation:** We recommend DHS strengthen its control process to ensure the implemented tracking process accurately reflects the underlying activity. Additionally, we recommend DHS ensure a process is in place to maintain the integrity of the program accounting function regardless of organizational challenges such as personnel turnover.

### **Views of Responsible Official(s)**

**Contact Person:** Joni Riley

**Anticipated Completion Date:** July 2019

**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:** 2019-043

**STATE AGENCY:** Oklahoma Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.558

**FEDERAL PROGRAM NAME:** TANF Cluster

**FEDERAL AWARD NUMBER:** G1801OKTANF and G1901OKTANF

**FEDERAL AWARD YEAR:** 2018 and 2019

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

**QUESTIONED COSTS:** \$4,824

**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 process of determining eligibility 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."

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OAC 340:65-1-3 Instructions to Staff states in part, “(a) 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)(A) states in part, “Benefit renewal interview requirements vary depending on the program. A face-to-face interview is required for the TANF program.”

OAC 340:65-3-8(b)(2) states in part, “A benefit renewal must be completed at 12-month intervals, unless an earlier renewal date is warranted, with a TANF recipient.”

OAC 340:10-3-56(a)(3)(O) states in part, “(a) Household members who must be, may be, and must not be included in the Temporary Assistance for Needy Families (TANF) assistance unit are (3) Persons whose needs may not be included are (O) a minor unmarried payee who has a dependent child(ren) in the minor's care and does not reside with a parent(s), legal guardian, or other adult relative 18 years of age or older.

OAC 340:10-2-1(1) states in part, “All parents or needy caretakers who apply for or receive Temporary Assistance for Needy Families (TANF) cash assistance from Oklahoma are required to be engaged in a work activity. (1) A work-eligible person is defined as an adult or minor head-of-household included in the TANF assistance unit.

42 USC 608(a)(4) states, “A State to which a grant is made under section 603 of this title shall not use any part of the grant to provide assistance to an individual who has not attained 18 years of age, is not married, has a minor child at least 12 weeks of age in his or her care, and has not successfully completed a high-school education (or its equivalent), if the individual does not participate in—

- (A) educational activities directed toward the attainment of a high school diploma or its equivalent; or
- (B) an alternative educational or training program that has been approved by the State.”

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 72 of 9,703 TANF cases, we noted the following;

- One case file did not contain documentation of an eligibility re-determination for benefits paid during SFY 2019 (Questioned Costs \$1,435).
- One case file did not contain documentation of school attendance records for a minor payee with a child at least 12 weeks old and benefits were paid during SFY 2019 (Questioned Costs \$2,025).
- One case file did not contain documentation the minor payee lives with a parent or other adult and benefits were paid during SFY 2019 (Questioned Costs \$1,364).

**Cause:** A lack of internal controls to ensure initial determinations and redeterminations are properly documented.

**Effect:** The Department is not in compliance with the above stated internal policies and federal program requirements, which may result in ineligible individuals receiving TANF benefits.

**Recommendation:** We recommend the Department follow policy and complete eligibility determinations and redeterminations for all TANF recipients as required. Also, we recommend the Department ensure the determination and redetermination documentation is maintained in the case records.

**Views of Responsible Official(s)**

**Contact Person:** Paulette Kendrick

**Anticipated Completion Date:** July 1, 2020

**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.

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**FINDING NO:** 2019-044

**STATE AGENCY:** Oklahoma Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.558

**FEDERAL PROGRAM NAME:** TANF Cluster

**FEDERAL AWARD NUMBER:** G1801OKTANF and G1901OKTANF

**FEDERAL AWARD YEAR:** 2018 and 2019

**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 Social Security Act as amended. Under the State Plan the State is required 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 340:65-3-4 (4) (A) states in part, “The worker is responsible for reviewing data exchange information at application and eligibility renewal.”

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 72 of 9,703 TANF cases, we noted five cases (7%) where no income eligibility and verification system documentation was present in the electronic case record or FACS case notes for the time period tested.

**Cause:** 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 an ineligible recipient to receive benefits.

**Recommendation:** We recommend the Department emphasize to staff the importance of maintaining documentation to support income verification through data exchange to ensure the TANF applicant's eligibility is adequately documented.

**Views of Responsible Official(s)**

**Contact Person:** Paulette Kendrick

**Anticipated Completion Date:** July 1, 2020

**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:** 2019-045

**STATE AGENCY:** Oklahoma Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

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**CFDA NO:** 93.558

**FEDERAL PROGRAM NAME:** TANF Cluster

**FEDERAL AWARD NUMBER:** G1801OKTANF and G1901OKTANF

**FEDERAL AWARD YEAR:** 2018 and 2019

**CONTROL CATEGORY:** Eligibility

**QUESTIONED COSTS:** \$0

**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 §60.31 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: “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. The worker does not approve the application until a decision regarding the extension request is made.”

OAC INSTRUCTIONS TO STAFF 340:10-3-56 5.(d)(2)(B) states: “The date of the client’s signature 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”

OAC INSTRUCTIONS TO STAFF 340:10-3-56 5.(f)(1) states: “When the client request 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. The worker sends Form 08TW025E, any supporting documentation, and the active case record to AFS TANF staff for a decision. AFS TANF staff reviews the request and completes Part II of Form 08TW025E approving or disapproving the request and sends this form and all submitted information to the worker.”

**Condition and Context:** When testing 12 of the 86 TANF cases receiving benefits for more than sixty months, we noted the following:

- 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 (8.3%).
- Form (08TW025E) was not present in the case file documenting approval of a hardship for continued extension of benefits prior to benefits being awarded for one case (8.3%).

**Cause:** The Department did not follow policy in documenting the approval of a hardship which is required prior to awarding extended benefits.

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**Effect:** The Department is not in compliance with the above stated internal policies, which may result in ineligible individuals receiving TANF benefits.

**Recommendation:** We recommend the Department follow policy and document hardship approvals for TANF recipients as required. Also, we recommend the Department ensure hardship approval documentation is maintained in the case records.

**Views of Responsible Official(s)**

**Contact Person:** Paulette Kendrick

**Anticipated Completion Date:** March 20, 2020

**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:** 2019-050

**STATE AGENCY:** Oklahoma Department of Human Services (OKDHS)

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.667

**FEDERAL PROGRAM NAME:** Social Services Block Grant

**FEDERAL AWARD NUMBER:** G-1901OKSOSR, G-1801OKSOSR

**FEDERAL AWARD YEAR:** 2018 and 2019

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

**QUESTIONED COSTS:** \$14,479,300

**Criteria:** According to 2 CFR Part 200, Appendix XI, Part 4 applicable to the Social Services Block Grant, a State may transfer up to 10 percent of the combined total of the State family assistance grant, supplemental grant for population increases, and bonus funds for high performance and illegitimacy reduction, if any, (all part of TANF) for a given fiscal year to carry out programs under the SSBG. Such amounts may be used only for programs or services to children or their families whose income is less than 200 percent of the poverty level.

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:** In SFY 2019, the Oklahoma Department of Human Services (OKDHS) transferred \$14,479,300 in TANF funds to the Social Services Block Grant (SSBG). However, the Agency did not have a process in place to ensure TANF transfers to SSBG are used only for programs or services for children or their families whose income is less than 200 percent of the poverty level.

SAI staff made inquiry to OKDHS in early July 2019 regarding the process in place to ensure these funds are used only for clients who meet the income threshold. Subsequent to SAI’s inquiry, OKDHS began working on a procedure for gathering data and developing a methodology to support that the income threshold related to TANF/SSBG transfers were met. However, the methodology used is not appropriately designed to meet the objective of verifying that transfers to SSBG are used only for programs or services to children or their families whose income is less than 200 percent of the poverty level. Additionally, the process noted by OKDHS was not in place during SFY19.

As the basis for its methodology, OKDHS used the Random Moment Time Study (RMTS), a sampling method only approved for the purpose of allocating administrative expenditures to various grants in accordance with its Public Assistance Cost Allocation Plan (PACAP), to support that income thresholds related to TANF transfers to SSBG were met. The use of the RMTS methodology was not approved per the Agency’s PACAP or established in its policies and procedures.

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We contacted the Division of Community Assistance within HHS-ACF for additional clarification on this matter but have not received a response as of the date of our audit report.

**Cause:** OKDHS used the TANF transfers to SSBG based on the assumption that the population served by the incurred administrative expenditures met the income requirement without implementing a control process as required by 45 CFR §75.303.

**Effect:** OKDHS may have inappropriately expended funds transferred from TANF to SSBG in the amount of \$14,479,300.

**Recommendation:** We recommend the agency design and implement appropriate internal controls and develop written policies and procedures identifying a methodology to ensure compliance with TANF transfers to SSBG income requirements. This methodology should meet the objective of ensuring that all children or their families who benefit from program or services under the SSBG program meet the income requirements and should not be based on a statistical sample of cases supported by RTMS responses.

### **Views of Responsible Official(s)**

**Contact Person:** Chris Smith

**Anticipated Completion Date:** July 2019

**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:** 2019-051

**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:** G1801OKTANF; G1901OKTANF

**FEDERAL AWARD YEAR:** 2018, 2019

**CONTROL CATEGORY:** Maintenance of Effort

**QUESTIONED COSTS:** \$1,599,996 (*State funding utilized for MOE*)

**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.”

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

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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 vocational education skills (and/or other necessary skills) needed to gain employment for eligible recipients in the DHS TANF WORK program. *The program may also serve Non-TANF individuals as capacity allows.*”

**Condition and Context:** During SFY19, OKDHS reported MOE totaling \$1,599,996 as ‘State Certified Share – Regents’. This amount was the amount certified by OSRHE as an amount paid from non-federal funds for vocational training programs at colleges that could be utilized as TANF MOE.

SAI staff made inquiry to OKDHS regarding the process in place over OSRHE funds utilized as TANF MOE to ensure the expenditures reported only included costs for TANF eligible recipients. SAI was unable to obtain detailed support indicating which TANF cases received this MOE benefit as well as the benefit provided per case. OKDHS was unable to provide this detailed data because currently OKDHS is not tracking this in a manner that would allow them to demonstrate specifically which TANF cases received this benefit and that only TANF eligible individuals are included in the total costs reported. Since the agreement between OKDHS and OSRHE indicates this program may also serve non-TANF individuals as capacity allows, it appears there potentially are non-TANF eligible recipients receiving this benefit. Since we are unable to determine that the amount recorded as TANF MOE truly went to TANF eligible families, we are questioning the entire \$1,599,996.

**Cause:** OKDHS personnel were unaware of TANF MOE requirements.

**Effect:** Vocational training expenditures reported as TANF MOE may not have been made to, or on behalf of, TANF eligible families.

**Recommendation:** We recommend the agency design and implement internal controls and develop written policies and procedures to ensure any vocational training expenditures utilized as TANF MOE 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 in order to demonstrate exactly which cases are being utilized to meet TANF MOE requirements.

### **Views of Responsible Official(s)**

**Contact Person:** Chris Smith

**Anticipated Completion Date:** July 2019

**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:** 2019-052

**STATE AGENCY:** Oklahoma Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.558

**FEDERAL PROGRAM NAME:** TANF Cluster

**FEDERAL AWARD NUMBER:** G1901OKTANF and G1901OKTANF

**FEDERAL AWARD YEAR:** 2018 and 2019

**CONTROL CATEGORY:** Special Tests and Provisions – Income Eligibility and Verification System

**QUESTIONED COSTS:** \$0

**Criteria:** Each State shall participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act as amended. The State is required to review and compare the information obtained from each data exchange against information contained in the case record to determine whether it affects the individual’s eligibility or level of assistance, benefits or services under the TANF program.

DHS Policy OAC 340:65-3-4 (4) states in part, “Automated data exchange with other agencies provides DHS with information regarding household members’ benefits, wages, taxes, Social Security numbers, and current addresses.

## Schedule of Findings And Questioned Costs

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The system compares information obtained electronically with data stored within DHS electronic records to determine if there are discrepancies to be addressed.”

**Condition and Context:** 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 determine TANF eligibility at the time the client applies for assistance. 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. For our sample of 5 of 17 IEVS data exchange jobs, we noted 1 (20%) of the jobs was not run as scheduled. See below:

DATA EXCHANGE JOB/TRANSMISSION JOB	OWNER	FREQUENCY	DEVIATION FROM SCHEDULED FREQUENCY
BNDXXMT (CB397MX)	SSA	Monthly	November 2018 through May 2019

**Cause:** Lack of adequate internal controls in maintaining the IEVS process on the BNDXXMT (CB397MX) job.

**Effect:** The Department may not be following the above stated requirement, which may result in ineligible individuals receiving TANF benefits.

**Recommendation:** We recommend the Department emphasize to staff the importance of maintaining the IEVS data exchange jobs to support income verification through data exchange to ensure ineligible individuals do not receive TANF benefits. We further recommend the agency establish internal controls to ensure IEVS jobs are run based on the established frequency for each job.

**Views of Responsible Official(s)**

**Contact Person:** Helen Goulden

**Anticipated Completion Date:** July 1, 2020

**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:** 2019-063 (Repeat 2018-052)

**STATE AGENCY:** Oklahoma Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.658

**FEDERAL PROGRAM NAME:** Foster Care – Title IV-E

**FEDERAL AWARD NUMBER:** 1801OKFOST and 1901OKFOST

**FEDERAL AWARD YEAR:** 2018 and 2019

**CONTROL CATEGORY:** Subrecipient Monitoring

**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).”

Per 2 CFR Part 200, Appendix XI (Compliance Supplement) Part 3 – Subrecipient Monitoring, A pass-through entity (PTE) must:

- *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information



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described in 2 CFR section 200.331(a)(1); (2) all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2)); and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

- *Monitor* – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.331(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:
  1. Reviewing financial and programmatic (performance and special reports) required by the PTE.
  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 PTE detected through audits, on-site reviews, and other means.
  3. Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

**Condition and Context:** Based on review of five of nine Foster Care subrecipient contracts during the SFY 2019 audit, we noted the following exceptions related to award identification requirements:

- Five out of five (100%) subawards did not contain the federal identification number, federal award date, period of performance, amount obligated by the pass-through entity, federal award project description, name of the Federal Awarding Agency, identification as to whether the award relates to research and development, and term & conditions concerning the closeout of the subaward and were not subject to financial and performance reporting requirements.
- Four out of five (80%) subawards did not include all requirements to ensure compliance with Federal Laws and regulations and a Single Audit report was not reviewed.
- Two out of five (40%) subawards did not contain the CFDA number, and award amounts.
- One out of five (20%) subrecipients did not have a current subaward on file.

**Cause:** Management implemented corrective actions in the area of risk assessments in response to prior findings; however, minimal corrective action has been implemented to address identifying the award and applicable requirements or monitoring as identified in 2 CFR 200.331.

**Effect:** OKDHS is not in compliance with the monitoring requirements for this program. Additionally, 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 ensure all subrecipients provide detailed financial and performance reports to ensure OKDHS can assess the subrecipients' compliance with program requirements and achievements of performance goals. Additionally, DHS should establish policies and procedures to ensure OKDHS receive and reviews a single audit or program specific audit from those subrecipients who expend \$750,000 or more in Federal awards as required by 2 CFR 200.501

### **Views of Responsible Official(s)**

**Contact Person:** Kevin Haddock

**Anticipated Completion Date:** July 1, 2020

**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:** 2019-067

**STATE AGENCY:** Oklahoma Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.558

**FEDERAL PROGRAM NAME:** TANF Cluster

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**FEDERAL AWARD NUMBER:** G1701OKTANF G1801OKTANF  
**FEDERAL AWARD YEAR:** 2017 and 2018  
**CONTROL CATEGORY:** Reporting  
**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).”

Form SF-425A Instructions for Line 5 (Cumulative Federal Cash Disbursements) state: “Enter the cumulative amount of the Federal share of cash disbursed for each award. Cash disbursements are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expenses charged to the award, and the amount of cash advances and payments made to subrecipients and contractors.”

Additionally, a component objective of generally accepted accounting principles is to provide accurate and reliable information.

**Condition and Context:** The SFY 2019 portion of the cumulative Federal cash disbursements reported on the quarter ending 6/30/19 SF-425A report for the TANF 2018 and 2017 grants do not agree with the SFY 2019 TANF total federal expenditures plus the transfers to CCDF and SSBG reported on the TANF ACF-196R reports for the 2018 and 2017 grants.

**Cause:** The SFY 2019 portion of the cumulative Federal cash disbursements reported on line 5 of the SF-425A report for the TANF 2018 and 2017 grants were not adequately reviewed for accuracy prior to submission.

**Effect:** The SFY 2019 portion of the cumulative Federal cash disbursement amounts reported on line 5 of the SF-425A report for the TANF 2018 and 2017 grants are understated by \$25,650,198.99 for SFY 2019 and \$40,693,706.64 for SFY 2019.

**Recommendation:** We recommend the Department follow established procedures to ensure cumulative Federal cash disbursements are entered accurately on the SF-425A reports. Additionally, we recommend a correction be made as soon as possible to correct the cumulative Federal cash disbursements amounts recorded for the TANF 2018 and 2017 grants.

### **Views of Responsible Official(s)**

**Contact Person:** Chris Smith

**Anticipated Completion Date:** July 2019

**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:** 2019-074  
**STATE AGENCY:** Oklahoma Department of Human Services  
**FEDERAL AGENCY:** Department of Health and Human Services  
**CFDA NO:** 93.558  
**FEDERAL PROGRAM NAME:** TANF Cluster  
**FEDERAL AWARD NUMBER:** G1701OKTANF  
**FEDERAL AWARD YEAR:** 2017  
**CONTROL CATEGORY:** Reporting  
**QUESTIONED COSTS:** \$527,045

**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

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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).”

Additionally, a component objective of generally accepted accounting principles is to provide accurate and reliable information.

**Condition and Context:** The SFY 2019 expenditures recorded on line 7.a (Child Welfare – Non IVE – Family Foster Care – Retroactive Federalization) of the ACF-196R report are inaccurate due to an error made in the calculation of the expenditures.

**Cause:** The Federal expenditures reported on line 7.a of the ACF-196R report were not adequately reviewed for accuracy prior to submission.

**Effect:** The SFY 2019 expenditure amount recorded on line 7.a (Child Welfare – Non IVE – Family Foster Care – Retroactive Federalization) of the ACF-196R report is overstated by \$527,045.06.

**Recommendation:** We recommend the Department follow established procedures to ensure Child Welfare – Non IVE – Family Foster Care – Retroactive Federalization expenditures are entered accurately on the ACF-196R reports. Additionally, we recommend a correction be made as soon as possible to correct the SFY 2019 Child Welfare – Non IVE – Family Foster Care – Retroactive Federalization amount recorded for the TANF program.

### **Views of Responsible Official(s)**

**Contact Person:** Chris Smith

**Anticipated Completion Date:** 3/31/2020

**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:** 2019-075

**STATE AGENCY:** Oklahoma Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.558

**FEDERAL PROGRAM NAME:** TANF Cluster

**FEDERAL AWARD NUMBER:** G1701OKTANF

**FEDERAL AWARD YEAR:** 2017

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

**QUESTIONED COSTS:** \$1,638,967

**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 §75.302(a) states, “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 own funds. In addition, the state’s and other non-Federal entity’s 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 general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.”

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45 CFR §75.302(b)(3) states, “The financial management system of each non-Federal entity must provide records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.”

Additionally, a component objective of generally accepted accounting principles is to provide accurate and reliable information.

**Condition and Context:** We reviewed the ACF-196R reconciliation and noted the SFY 2019 expenditures recorded on line 11.a (Daycare Non-Assistance) are not adequately supported.

SAI staff made inquiry to OKDHS in July 2019 regarding the process in place over childcare subsidies utilized as TANF Day Care Non-Assistance to ensure the families receiving these childcare subsidies were income eligible for the TANF program. (\$923 is the maximum income for a case with one adult and one child) OKDHS provided SAI a full caseload report of all childcare records. The data file included an income field which could be correlated to find cases with income below \$923 per month that could have been used to meet the income eligibility status of TANF. This file was not a listing of cases used for TANF purposes because OKDHS does not have record of the specific cases utilized as TANF during SFY 2019. OKDHS began working on a procedure for gathering data and developing a monthly report showing payment data for families that receive childcare subsidies. Income is one of the fields that will be included so that compliance with TANF eligibility can be established in the future. However, this process was not in place during SFY 2019 or prior. Based on this information, it does not appear OKDHS had any knowledge that the childcare costs being charged as TANF throughout SFY 2019 were made to, or on behalf of, TANF eligible families. Because of this, we question the \$1,638,967 utilized as TANF Daycare Non-Assistance during SFY 2019.

**Cause:** OKDHS personnel were unaware the Federal expenditures reported on line 11.a must be supported with payment data to document that families receiving childcare subsidies are TANF eligible.

**Effect:** The expenditures recorded on line 11.a of the ACF-196R report may not have been made to, or on behalf of, TANF eligible families resulting in unallowable expenditures being charged to the TANF program.

**Recommendation:** We recommend the agency design and implement internal controls and develop written policies and procedures to ensure any daycare expenditures utilized as TANF Daycare Non-Assistance 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 in order to demonstrate exactly which cases are being utilized to meet TANF requirements.

### **Views of Responsible Official(s)**

**Contact Person:** Chris Smith

**Anticipated Completion Date:** July 2019

**Corrective Action Planned:** The Department of Human Services agrees with the internal control aspect of the finding but do not agree with the questioned costs. Please see the corrective action plan located in the corrective action plan section of this report.

**Auditor Response:** Although management indicates they have the appropriate data to prove the costs were used appropriately, we were unable to obtain documentation indicating specifically which TANF cases the daycare costs applied to and therefore were unable to determine the costs were paid to, or on behalf of, TANF eligible families. Additionally, the state fiscal year 2019 data noted in the response was not compiled until after state fiscal year end and after inquiries from our office began. Therefore, when these costs were incurred and reported, DHS did not know that the payments were made to or on behalf of TANF eligible families.

**FINDING NO:** 2019-083

**STATE AGENCY:** Oklahoma Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.575, 93.596

**FEDERAL PROGRAM NAME:** CCDF Cluster

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**FEDERAL AWARD NUMBER:** G1801OKCCDF and G1901OKCCDF  
**FEDERAL AWARD YEAR:** 2018 and 2019  
**CONTROL CATEGORY:** Allowable Costs/Cost Principles  
**QUESTIONED COSTS:** \$99,654.01

**Criteria:** Per 45 CFR §75.303(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 terms and conditions of the Federal award...”

2 CFR Part 200, Subpart E, § 430 states in part...” (i) *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 which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);
- (iv) Encompass both federally assisted, and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.)...”

OKDHS:2-11-60(1)(A) states, “The Finance Division coordinates the preparation, revision, and accumulation of all administrative costs of the cost allocation plan.”

OKDHS:2-11-60(1)(B) states, “The Finance Division oversees the collection of data necessary for allocations and distribution.”

**Condition and Context:** Based on review of cost certification reports applicable to the Child Care Development Fund (CCDF) program in SFY2019, it was noted that direct payroll charges for an employee in the Electronic Payment Services (EPS) unit who does not work 100% on the program were charged exclusively to the CCDF program.

**Cause:** OKDHS’ direct payroll certification process did not prevent or detect the erroneous program charges.

**Effect:** The CCDF direct payroll charges were overstated by \$99,654.01.

**Recommendation:** We recommend DHS review its direct payroll control processes to ensure that only allowable payroll expenditures for direct employees are charged to the program.

**Views of Responsible Official(s)**

**Contact Person:** Chris Smith

**Anticipated Completion Date:** 3/31/2020

**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:** 2019-037

**STATE AGENCY:** Oklahoma Department of Rehabilitation Services

**FEDERAL AGENCY:** United States Social Security Administration

**CFDA NO:** 96.001; 96.006

**FEDERAL PROGRAM NAME:** Disability Insurance/SSI Cluster

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**FEDERAL AWARD NUMBER:** 19040KDI00  
**FEDERAL AWARD YEAR:** 2019  
**CONTROL CATEGORY:** Reporting  
**QUESTIONED COSTS:** \$0

**Criteria:** 2 CFR §200.62 states, “Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports; (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award; (b) Transactions are executed in compliance with: (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.”

Program Operations Manual System (POMS) DI 39506.231 Preparation Instructions for Form SSA-4514 states, “The Form SSA-4514 is used to report the number of hours worked by staffing category and employment status (i.e., full-time, part-time, temporary). This report should reflect all hours worked by personnel engaged in the SSA disability program during the reporting period.”

**Condition and context:** The SSA-4514 for the quarter ending 12/31/2018 reported the following calculations of hours worked incorrectly:

- The number of hours reported for Total Direct Personnel Services Holiday/Leave Hours (column B) on the SSA-4514 is 32,437.30, but it is calculated as 32,478.72 on the 2019 Time Report, resulting in a variance of -41.42.
- The number of hours reported for Full-time Personnel Overtime Hours (column D) on the SSA-4514 is 3,170.00, but it is calculated as 1,076.00 on the 2019 Time Report, resulting in a variance of 2,094.00. The amount was also not carried forward to Total Direct Personnel Services Overtime Hours, which was reported as 0.00.
- The number of hours reported for Total Direct Personnel Services On Duty Hours (column A) on the SSA-4514 is 118,399.60, but it is calculated as 118,635.76 on the 2019 Time Report, resulting in a variance of -236.16.
- The number of hours reported for LWOP Hours on the SSA-4514 is 875.00, but it is calculated as 1,163.25 on the 2019 Time Report, resulting in a variance of -288.25.
- The number of hours reported for Total Direct Personnel Services Total Hours Excluding Overtime (column C) on the SSA-4514 is 0.00 because the full-time and part-time hours were not carried forward.

Additionally, the SSA-4514 for the quarter ending 3/31/2019 reported the following calculations of hours worked incorrectly:

- The number of hours reported for Full-time Personnel Overtime Hours (column D) on the SSA-4514 is 4,179.30, but it was not carried forward to the Total Direct Personnel Services.
- The number of hours reported for Full-time Personnel Total Hours Excluding Overtime (column C) on the SSA-4514 is 147,641.00, but it was not carried forward to the Total Direct Personnel Services.

**Cause:** The Department has not implemented an adequate review process to ensure that the hours reported on the SSA-4514 are accurate and agree to supporting documentation.

**Effect:** The lack of adequate internal controls resulted in in accurate reporting in the SSA-4514.

**Recommendation:** We recommend the Department implement internal controls to ensure the SSA-4514 is adequately reviewed and agrees to supporting documentation before submission.

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### *Views of Responsible Official(s)*

**Contact Person:** Jennifer Thornton-Johnson

**Anticipated Completion Date:** March 17, 2020

**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-038

**STATE AGENCY:** Oklahoma Department of Rehabilitation Services

**FEDERAL AGENCY:** United States Social Security Administration

**CFDA NO:** 96.001; 96.006

**FEDERAL PROGRAM NAME:** Disability Insurance/SSI Cluster

**FEDERAL AWARD NUMBER:** 19040KDI00

**FEDERAL AWARD YEAR:** 2019

**CONTROL CATEGORY:** Period of Performance

**QUESTIONED COSTS:** \$239,330

**Criteria:** 2 CFR §200.62 states, “Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports; (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award; (b) Transactions are executed in compliance with: (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.”

2 CFR §200.77 states, “*Period of performance* means the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award.”

Additionally, per 2 CFR §200.309, “A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in §200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity.”

Program Operations Manual System (POMS) DI 39506.200 states, “Obligations must be based on a bona fide need for goods or services that exist within the Federal fiscal year (October 1 through September 30) and must be made no later than six months after the close of that fiscal year (March 30).”

**Condition and context:** The November 2018 payroll draw from the FFY2019 grant included 32 payroll expenditures, totaling \$239,330, which were incurred in September 2018. These expenditures were supplemental payroll transactions for the month of September. The obligation to pay these payroll costs occurred at the time the employees worked in September 2018 which was prior to the beginning of the period of performance for the FFY 2019 grant. Therefore, these payroll costs were incorrectly applied to and drawn from FFY 2019 grant.

**Cause:** Payroll transactions were incorrectly coded to FFY 2019 on the DDD Preliminary Expenditure spreadsheet and this error was not detected during the review process.

**Effect:** \$239,330 of FFY 2018 expenses were erroneously drawn from the FFY 2019 grant.

**Recommendation:** We recommend the Department strengthen the current process for the review of transactions on the DDD Preliminary Expenditure spreadsheet to ensure coding errors will be detected and corrected.

### *Views of Responsible Official(s)*

**Contact Person:** Jennifer Thornton-Johnson

**Anticipated Completion Date:** March 6, 2020

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**Corrective Action Planned:** Management concurs with finding. Please see the corrective action plan located in the corrective action plan section of this report.

**FINDING NO:** 2019-040

**STATE AGENCY:** Oklahoma Department of Rehabilitation Services (DRS)

**FEDERAL AGENCY:** United States Social Security Administration

**CFDA NO:** 96.001; 96.006

**FEDERAL PROGRAM NAME:** Disability Insurance/SSI Cluster

**FEDERAL AWARD NUMBER:** 1804OKDI00; 1904OKDI00

**FEDERAL AWARD YEAR:** 2018; 2019

**CONTROL CATEGORY:** Special Tests and Provisions – Consultative Examination Process

**QUESTIONED COSTS:** \$0

**Criteria:** 2 CFR §200.62 states, “Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports; (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award; (b) Transactions are executed in compliance with: (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.”

20 CFR §404.1503a states, “We will not use in our program any individual or entity, except to provide existing medical evidence, who is currently excluded, suspended, or otherwise barred from participation in the Medicare or Medicaid programs, or any other Federal or Federally-assisted program; whose license to provide health care services is currently revoked or suspended by any State licensing authority pursuant to adequate due process procedures for reasons bearing on professional competence, professional conduct, or financial integrity; or who, until a final determination is made, has surrendered such a license while formal disciplinary proceedings involving professional conduct are pending. By individual or entity, we mean a medical or psychological consultant, consultative examination provider, or diagnostic test facility. Also see §§404.1519 and 404.1519g(b)”.

20 CFR §404.1519g(b) states, “By “qualified,” we mean that the medical source must be currently licensed in the State and have the training and experience to perform the type of examination or test we will request; the medical source must not be barred from participation in our programs under the provisions of §404.1503a. The medical source must also have the equipment required to provide an adequate assessment and record of the existence and level of severity of your alleged impairments”.

According to Program Operations Manual System (POMS) DI 39569.300, section C.1.b., the agency must “Conduct license checks of CE providers. . . including providers who perform CEs near and across the borders of neighboring States, specifically. . . 2. Conduct periodic licensure reviews prior to renewal dates to ensure licenses are active. 3. Review the [System of Award Management] SAM for each CE provider at least annually. . . 5. Annotate the provider file with the: date and name of the DDS [Disability Determination Services] employee verifying the license and the source of the verification (e.g., state licensing agency webpage, SAM database), or date and name of the individual who provided the credential verification.”

Additionally, POMS DI 39545.075 *Management of the Consultative Examination (CE) Process*, “Each State agency is responsible for comprehensive oversight management of its CE process and for ensuring accuracy, integrity, and economy of the CE process.” In addition, “DDSs at a minimum must provide procedures for... Performing medical license verifications to ensure only qualified providers perform CEs for disability determination services.”

### **Condition and Context:**

- During our walk through and documentation of the internal control process to ensure internal controls were designed and implemented for the new CE's, we noted an exception where one of the provider files we selected for our review did not include the New Vendor Audit checklist. Therefore, we were unable to



## Schedule of Findings And Questioned Costs

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determine that the SAM review and licensure verification of the CE provider had been reviewed and approved by someone other than the Professional Relations Officer (PRO) performing the review and verification process.

- During our walk through and documentation of the internal control process for active CE's, we were unable to determine that there was an internal control designed and implemented to ensure that the SAM review and licensure verifications of the active CE provider were reviewed and approved by someone other than the Professional Relations Officer (PRO) performing the verifications in order to ensure all checks were occurring within the required timeframe and were adequate.
- When testing a sample of 15 of the 72 New CE providers (20% of population), we noted 2 instances where the New Vendor Audit checklist was not included in the CE provider's file, and therefore, we were unable to determine that the SAM review and licensure verifications of the CE provider were properly reviewed and approved by someone other than the Professional Relations Officer (PRO) performing the verifications.
- When testing a sample of 33 of the 165 Active CE providers (20% of population), we noted the SAM review for one CE provider was not performed on an annual basis. There was not a SAM review present for the SFY19 time period.

**Cause:** It appears there are inadequate internal controls in place over the process for SAM and licensure reviews of CE providers.

**Effect:** The failure to properly perform/maintain documentation of the required reviews of SAMs and medical licensure prevents the agency from ensuring that only qualified providers or providers that are not suspended/debarred are being utilized. Without proper review and approval by someone other than the PRO performing the verifications, DDS has no assurance the verifications are being performed in accordance to SSA requirements.

**Recommendation:** We recommend management design and implement adequate internal control procedures to ensure that a review and approval of the verification of licenses and review of the System of Award Management occurs, all verifications are in accordance with SSA POMS requirements, and all applicable documentation is retained.

### **Views of Responsible Official(s)**

**Contact Person:** Jama Holman-West

**Anticipated Completion Date:** March 18, 2020

**Corrective Action Planned:** Management concurs that additional documentation of reviews needs to occur. Please see the corrective action plan located in the corrective action plan section of this report.

**Auditor Response:** Although management indicated that POMS does not require a second review, effective internal controls are required for every requirement of every federal grant therefore implementing internal controls over the consultative examination process is required. In our testing, we learned that the internal control over new providers was not operating effectively and that there was not a proper internal control designed and implemented for the active providers. Without proper internal controls in place, there is a much greater likelihood that noncompliance will occur.

**FINDING NO:** 2019-079

**STATE AGENCY:** Oklahoma Department of Rehabilitation Services (DRS)

**FEDERAL AGENCY:** U.S. Department of Education

**CFDA NO:** 84.126

**FEDERAL PROGRAM NAME:** Rehabilitation Services – Vocational Rehabilitation Grants to States

**FEDERAL AWARD NUMBER:** H126A-170053, H126A-180053, H126A-190053

**FEDERAL AWARD YEAR:** 2017, 2018, and 2019

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

**QUESTIONED COSTS:** \$2,858

**Criteria:** Per 2 CFR Part 200.403, "Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: (c) Be consistent with policies and procedures that

## Schedule of Findings And Questioned Costs

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apply uniformly to both federally-financed and other activities of the non-Federal entity” and “(g) Be adequately documented.”

Per 2 CFR Part 200, “The non-Federal entity must: (a) 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....”

According to the Department of Rehabilitation Services (DRS) policy as outlined in the Oklahoma Administrative Code:

- 612:10-7-20 – Case Recording: “A case record will be established and maintained on each individual who applies for and/or receives vocational rehabilitation services. Narrative recordings of activities are mandatory at application, at eligibility, the development of the plan, program/financial reviews, and case closure. An action in any case is not considered effective until all required approvals have been obtained in accordance with Department policy. Documentation must be factual and conform to ethical and professional standards.”
- 612:10-7-51(d)(2)(A) - Content of the Individualized Plan for Employment: “The Individualized Plan for Employment must include: (2) a description of the specific VR services that are: (A) needed to achieve the employment outcome including as appropriate, the provision of assistive technology services and devices, and personal assistance services, including training in the management of such services;”

**Condition:** While testing 55 of 7,096 direct client services claims tested, we noted:

- One (1.82%) instance where the services provided were not on the clients’ Individual Plan for Employment (IPE) at the time of the claim.
- One (1.82%) instance where the applicable authorizations did not have the appropriate supervisor approvals.
- Five (9.09%) instances where the case files did not include the appropriate support for the claims.
- Two (3.64%) instances where the services were based on estimates for transportation/mileage and were not supported by calculations of actual mileage.

**Cause:** The agency has not implemented adequate internal controls to ensure the following agency policies and Federal requirements were adhered to for activities allowed and allowable costs:

- The service category for the claim is part of the client’s IPE prior to approving payment;
- The authorization is appropriately approved; and
- The appropriate supporting documentation is maintained.

**Effect:** The Federal grantor could require reimbursement of the unsupported costs from the Department.

**Recommendation:** We recommend management investigate these claims to determine whether the claims were improperly reimbursed and, if so, take appropriate action to recoup these funds. In addition, we recommend management review current internal controls and policies and procedures to determine where the breakdown in controls occurred and make necessary improvements to ensure compliance with agency and Federal requirements pertaining to client service claims and to ensure appropriate documentation is maintained for the client files.

### **Views of Responsible Official(s)**

**Contact Person:** Mark Kinnison

**Anticipated Completion Date:** 7/1/2020

**Corrective Action Planned:** Management concurs that additional documentation and reviews are needed on case files. Management does not concur with the questioned cost. Please see the corrective action plan located in the corrective action plan section of this report.

**Auditor Response:** As of the report date, DRS had not provided any additional documentation to support the costs that were questioned.

**Schedule of Expenditures of Federal Awards  
By Federal Grantor**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
<b>U.S. Department of Agriculture</b>					
Direct and Pass Through Programs:					
Plant and Animal Disease, Pest Control, and Animal Care	10.025		Department of Agriculture	\$ 691,899	\$ -
Voluntary Public Access and Habitat Incentive	10.093		Department of Wildlife Conservation	234,724	-
Inspection Grading and Standardization	10.162		Department of Agriculture	1,292,948	-
Specialty Crop Block Grant Program - Farm Bill	10.170		Department of Agriculture	368,815	-
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		Department of Agriculture	1,049,492	-
Supplemental Nutrition Assistance Program	10.551		Department of Human Services	820,168,107	⊛ -
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		Department of Human Services	34,796,021	⊛ 5,192,139
			SNAP Cluster Total	854,964,128	⊛ ⊛ 5,192,139
School Breakfast Program	10.553		Department of Education	61,027,818	⊛ 60,888,831
National School Lunch Program	10.555		Department of Education	169,743,730	⊛ 169,479,019
National School Lunch Program	⊛ 10.555		Department of Human Services	24,237,789	⊛ 2,056,161
			Program Total	193,981,519	⊛ 171,535,180
Special Milk Program for Children	10.556		Department of Education	5,912	⊛ -
Summer Food Service Program for Children	10.559		Department of Education	4,718,492	⊛ 4,474,265
Summer Food Service Program for Children	⊛ 10.559		Department of Human Services	20,134	⊛ -
			Program Total	4,738,626	⊛ 4,474,265
			Child Nutrition Cluster Total	259,753,875	⊛ ⊛ 236,898,276
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		State Department of Health	66,667,933	6,227,479
Child and Adult Care Food Program	10.558		Department of Education	63,997,685	63,479,146
Child and Adult Care Food Program	⊛ 10.558		Department of Human Services	181,585	-
			Program Total	64,179,270	⊛ 63,479,146
State Administrative Expenses for Child Nutrition	10.560		Department of Education	4,775,181	757,290
State Administrative Expenses for Child Nutrition	10.560		Department of Human Services	926,252	-
			Program Total	5,701,433	757,290
Commodity Supplemental Food Program	10.565		Department of Human Services	1,148,115	⊛ 240,133
Emergency Food Assistance Program (Administrative Costs)	10.568		Department of Human Services	1,760,471	⊛ 1,728,882
Emergency Food Assistance Program (Food Commodities)	⊛ 10.569		Department of Human Services	11,816,993	⊛ -
			Food Distribution Cluster Total	14,725,579	⊛ 1,969,015
Senior Farmers Market Nutrition Program	10.576		Department of Human Services	56,076	-
Child Nutrition Discretionary Grants Limited Availability	10.579		Department of Education	320,255	-
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580		Department of Human Services	746,783	-
Fresh Fruit and Vegetable Program	10.582		Department of Education	2,832,147	2,832,147
Forestry Research	10.652		Department of Agriculture	265,989	-
Cooperative Forestry Assistance	10.664		Department of Agriculture	1,013,375	-
Resource Conservation and Development	10.901		Conservation Commission	190,000	-
Soil and Water Conservation	10.902		Department of Agriculture	2,648	-
Soil and Water Conservation	10.902		Conservation Commission	789,355	-
			Program Total	792,003	-
Watershed Protection Flood Prevention	10.904		Conservation Commission	481,843	-

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Watershed Rehabilitation Program	10.916		Conservation Commission	3,967,290	-
Conservation Security Program	10.921		Department of Agriculture	11,810	-
Agricultural Conservation Easement Program	10.931		Department of Wildlife Conservation	28,000	-
Cost Reimbursement Contract - McGee Creek Project	10 UNK		Department of Wildlife Conservation	217,703	-
U.S. Department of Agriculture-Subtotal				<u>\$ 1,280,553,370</u>	<u>\$ 317,355,492</u>
<b>U.S. Department of Commerce</b>					
Direct and Pass Through Programs:					
Investments for Public Works and Economic Development					
Facilities	11.300	9000002670	Pass-Through from City of Durant to Department of Transportation	1,500,000	-
Economic Adjustment Assistance	11.307		Department of Commerce	31,606	-
Cost Reimbursement Contract: Economic Adjustment Assistance	11.307		Oklahoma Center for the Advancement of Science and Technology	235,925	47,029
			Economic Development Cluster Total	1,767,531	47,029
State and Local Implementation Grant Program	11.549		Office of Management and Enterprise Services	146,321	-
U.S. Department of Commerce-Subtotal				<u>\$ 1,913,852</u>	<u>\$ 47,029</u>
<b>U.S. Department of Defense</b>					
Direct and Pass Through Programs:					
Procurement Technical Assistance For Business Firms	12.002		Department of Career & Technology Education	642,999	198,764
Cost Reimbursement Contract - State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		Department of Environmental Quality	184,988	-
Cost Reimbursement Contract - Military Construction, National Guard	12.400		Oklahoma Military Department	15,397,863	-
Cost Reimbursement Contract - National Guard Military Operations and Maintenance (O&M) Projects	12.401		Oklahoma Military Department	35,543,576	-
Cost Reimbursement Contract - National Guard ChallegeNGe Program	12.404		Oklahoma Military Department	4,651,143	-
Troops to Teachers Grant Program	12.620		Department of Education	205,993	-
U.S. Department of Defense-Subtotal				<u>\$ 56,626,562</u>	<u>\$ 198,764</u>
<b>U.S. Department of Housing and Urban Development</b>					
Direct and Pass Through Programs:					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii					
Emergency Solutions Grant Program	14.228		Department of Commerce	13,645,482	13,093,690
Shelter Plus Care	14.231		Department of Commerce	1,766,713	1,705,989
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.238		Mental Health and Substance Abuse Services	251,585	208,196
	14.269		Department of Commerce	6,763,197	6,371,759
			CDBG-Disaster Recovery Grants - Pub. L. No. 113-2 Cluster Total	6,763,197	6,371,759
U.S. Department of Housing and Urban Development-Subtotal				<u>\$ 22,426,977</u>	<u>\$ 21,379,634</u>
<b>U.S. Department of the Interior</b>					
Direct and Pass Through Programs:					
Road Maintenance - Indian Roads	15.033		Department of Transportation	1,000	-
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250		Department of Mines	1,078,022	-
Abandoned Mine Land Reclamation (AMLR)	15.252		Conservation Commission	704,061	-
Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427		State Auditor and Inspector	409,668	-
Title XVI Water Reclamation and Reuse	15.504		Water Resources Board	62,115	-
Recreation Resources Management	15.524		Department of Agriculture	101,429	-

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Fish and Wildlife Management Assistance	15.608		Department of Wildlife Conservation	52,146	-
Sport Fish Restoration Program	15.605		Department of Wildlife Conservation	7,239,660	709,569
Wildlife Restoration and Basic Hunter Education	15.611		Department of Wildlife Conservation	13,066,810	1,253,151
			<b>Fish and Wildlife Cluster Total</b>	<b>20,306,470</b>	<b>1,962,720</b>
Cooperative Endangered Species Conservation Fund	15.615		Department of Wildlife Conservation	114,107	62,528
Sportfishing and Boating Safety Act / Boating Infrastructure Grants (BIG)	15.622		Department of Tourism and Recreation	400,000	-
Enhanced Hunter and Safety Education	15.626		Department of Wildlife Conservation	138,618	-
Partners for Fish and Wildlife	15.631		Department of Wildlife Conservation	347,845	-
State Wildlife Grants	15.634		Department of Wildlife Conservation	693,238	530,050
Historic Preservation Fund Grants-In-Aid	15.904		Historical Society	859,339	-
Outdoor Recreation - Acquisition, Development and Planning	15.916		Department of Tourism and Recreation	638,927	-
National Ground-Water Monitoring Network	15.980		Water Resources Board	75,093	-
Water Use and Data Research	15.981		Water Resources Board	24,313	-
U.S. Department of the Interior-Subtotal				<u>\$ 26,006,391</u>	<u>\$ 2,555,298</u>
<b>U.S. Department of Justice</b>					
Direct and Pass Through Programs:					
Sexual Assault Services Formula Program	16.017		District Attorneys Council	280,237	272,982
Juvenile Justice and Delinquency Prevention	16.540		Office of Juvenile Affairs	342,792	-
Juvenile Justice and Delinquency Prevention	16.540		District Attorneys Council	4,649	-
			<b>Program Total</b>	<b>347,441</b>	<b>-</b>
Missing Children's Assistance	16.543		State Bureau of Investigation	343,751	-
State Justice Statistics Program for Statistical Analysis Centers	16.550		State Bureau of Investigation	30,537	-
National Criminal History Improvement Program (NCHIP)	16.554		District Attorneys Council	165,660	165,660
National Criminal History Improvement Program (NCHIP)	16.554		State Bureau of Investigation	226,765	-
			<b>Program Total</b>	<b>392,425</b>	<b>165,660</b>
Crime Victim Assistance	16.575		District Attorneys Council	26,377,399	22,588,236
Crime Victim Assistance	16.575		Medicolegal Investigation Board	34,663	-
Crime Victim Assistance	16.575		Attorney General	127,158	-
Crime Victim Assistance	16.575		State Bureau of Investigation	95,740	-
			<b>Program Total</b>	<b>26,634,960</b>	<b>22,588,236</b>
Crime Victim Compensation	16.576		District Attorneys Council	1,513,347	1,433,106
Crime Victim Assistance/Discretionary Grants	16.582		District Attorneys Council	239,345	109,278
Crime Victim Assistance/Discretionary Grants	16.582		Mental Health and Substance Abuse Services	93,722	5,000
			<b>Program Total</b>	<b>333,067</b>	<b>114,278</b>
Drug Court Discretionary Grant Program	16.585		Mental Health and Substance Abuse Services	340,106	227,174
Violence Against Women Formula Grants	16.588		District Attorneys Council	1,935,448	890,795
Violence Against Women Formula Grants	16.588		Attorney General	99,448	-
Violence Against Women Formula Grants	16.588		Department of Corrections	71,659	-
			<b>Program Total</b>	<b>2,106,555</b>	<b>890,795</b>
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589		District Attorneys Council	253,580	5,802

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		District Attorneys Council	154,746	47,850
Residential Substance Abuse Treatment for State Prisoners	16.593		District Attorneys Council	3,050	657
Residential Substance Abuse Treatment for State Prisoners	16.593		Department of Corrections	10,855	-
Residential Substance Abuse Treatment for State Prisoners	16.593		Mental Health and Substance Abuse Services	44,438	-
Residential Substance Abuse Treatment for State Prisoners	16.593		Office of Juvenile Affairs	8,485	-
			Program Total	66,828	657
Bulletproof Vest Partnership Program	16.607		Department of Corrections	411	-
Project Safe Neighborhood	16.609		District Attorneys Council	16,894	-
Public Safety Partnership and Community Policing Grants	16.710		Bureau of Narcotics & Dangerous Drugs Control	662,349	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		District Attorneys Council	2,524,383	507,474
	16.738		Department of Corrections	59,422	-
			Program Total	2,583,805	507,474
DNA Backlog Reduction Program	16.741		State Bureau of Investigation	939,231	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		District Attorneys Council	23,361	16,279
	16.742		State Bureau of Investigation	49,837	-
	16.742		Medicolegal Investigation Board	6,039	-
			Program Total	79,237	16,279
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745		Mental Health and Substance Abuse Services	153,364	-
Support for Adam Walsh Act Implementation Grant Program	16.750		Department of Corrections	95,260	-
Harold Rogers Prescription Drug Monitoring Program	16.754		Bureau of Narcotics & Dangerous Drugs Control	144,198	-
Second Chance Act Reentry Initiative	16.812		Department of Corrections	37,459	-
Second Chance Act Reentry Initiative	16.812		Mental Health and Substance Abuse Services	95,026	-
			Program Total	132,485	-
NICS Act Record Improvement Program	16.813		State Bureau of Investigation	476,586	-
John R. Justice Prosecutors and Defenders Incentive Act	16.816		District Attorneys Council	38,242	34,418
Postconviction Testing of DNA Evidence	16.820		State Bureau of Investigation	36,935	-
Emergency Planning for Juvenile Justice Facilities	16.823		Office of Juvenile Affairs	61,790	-
Justice Reinvestment Initiative	16.827		Mental Health and Substance Abuse Services	352,393	158,486
Justice Reinvestment Initiative	16.827		Department of Corrections	565,916	-
			Program Total	918,309	158,486
Innovative Responses to Behavior in the Community: Swift, Certain, and Fair Supervision Program	16.828		Department of Corrections	481,820	-
STOP School Violence	16.839		Department of Education	81,700	-
U.S. Department of Justice-Subtotal				\$ 39,700,196	\$ 26,463,197
<b>U.S. Department of Labor</b>					
Direct and Pass Through Programs:					
Labor Force Statistics	17.002		Employment Security Commission	880,151	-
Compensation and Working Conditions	17.005		Department of Labor	36,415	-
Employment Service/Wagner-Peyser Funded Activities	17.207		Employment Security Commission	9,288,402	-
	17.207		Office of Management and Enterprise Services	577	-

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Jobs for Veterans State Grants	17.801		Employment Security Commission	1,516,290	-
Local Veterans' Employment Representative Program	17.804		Employment Security Commission	484,222	-
			Employment Service Cluster Total	11,289,491	-
Unemployment Insurance	17.225		Employment Security Commission	241,576,368	-
Senior Community Service Employment Program	17.235		Department of Human Services	969,695	807,412
Trade Adjustment Assistance	17.245		Employment Security Commission	1,516,553	-
Work Opportunity Tax Credit Program (WOTC)	17.271		Employment Security Commission	283,513	-
Temporary Labor Certification for Foreign Workers	17.273		Employment Security Commission	100,359	-
Workforce Investment Act National Dislocated Worker/Emergency Grant	17.277		Employment Security Commission	382,284	-
Consultation Agreements	17.504		Department of Labor	1,329,719	-
Mine Health and Safety Grants	17.600		Department of Mines	165,332	165,332
U.S. Department of Labor-Subtotal				\$ 258,529,880	\$ 972,744
<b>U.S. Department of Transportation</b>					
Direct and Pass Through Programs:					
Airport Improvement Program	20.106		Oklahoma Aeronautics Commission	886,503	-
Highway Research and Development Program	20.200		Department of Transportation	2,335,270	2,990
Highway Planning and Construction	20.205		Department of Transportation	591,567,609	4,313,070
		9000003546;			
Highway Planning and Construction	20.205	9000003547; 9000003548	Pass-Through from Cherokee Nation to Department of Transportation	413,750	-
Highway Planning and Construction	20.205	900004816	Pass-Through from Seminole Nation to Department of Transportation	2,250	-
Highway Planning and Construction	20.205	3000000005	Pass-Through from Kialefee Tribal to Department of Transportation	78,000	-
			Pass-Through from Texas Department of Transportation to Department of		
Highway Planning and Construction	20.205	9000002669; 9000003642	Transportation	2,308,745	-
			Program Total	594,370,354	4,313,070
Recreational Trails Program	20.219		Department of Tourism and Recreation	1,613,006	-
			Highway Planning and Construction Cluster Total	595,983,360	4,313,070
Highway Training and Education	20.215		Department of Transportation	260,822	1,740
Motor Carrier Safety Assistance	20.218		Department of Public Safety	4,633,337	-
Commercial Driver's License Program Implementation Grant	20.232		Department of Public Safety	20,001	-
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237		Department of Transportation	44,489	-
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		Department of Transportation	2,458,540	1,161,195
			Federal Transit Cluster Total	2,458,540	1,161,195
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		Department of Transportation	558,504	547,035
Formula Grants for Rural Areas and Tribal Transit Program	20.509		Department of Transportation	14,229,251	13,924,009
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		Department of Human Services	1,975,380	-
			Transit Services Programs Cluster Total	1,975,380	-
Rail Fixed Guildeway Public Transportation System State Safety Oversight Formula Grant Program	20.528		Department of Transportation	271,051	270,918
Minimum Penalties for Repeat Offender for Driving While Intoxicated	20.608		Department of Public Safety	249,437	151,396
Cost Reimbursement Contract - National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614		Department of Public Safety	66,428	-



Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
State and Community Highway Safety	20.600		Mental Health and Substance Abuse Services	14,329	-
State and Community Highway Safety	20.600		Department of Public Safety	3,909,208	2,136,149
			Program Total	3,923,537	2,136,149
National Priority Safety Programs	20.616		Department of Public Safety	3,308,665	698,115
National Priority Safety Programs	20.616		State Bureau of Investigation	165,113	-
National Priority Safety Programs	20.616		Mental Health and Substance Abuse Services	131,517	-
National Priority Safety Programs	20.616		District Attorneys Council	138,380	-
			Program Total	3,743,675	698,115
			Highway Safety Cluster Total	7,667,212	2,834,264
Cost Reimbursement Contract - Pipeline Safety Program State Based Grant	20.700		Corporation Commission	1,621,280	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		Department of Emergency Management	511,448	413,941
U.S. Department of Transportation- Subtotal				\$ 633,772,313	\$ 23,620,558
<b>General Services Administration</b>					
Direct and Pass Through Programs:					
Donation of Federal Surplus Personal Property	39.003		Office of Management and Enterprise Services-DCAM	1,973,409	-
General Services Administration-Subtotal				\$ 1,973,409	\$ -
<b>National Foundation on the Arts and the Humanities</b>					
Direct and Pass Through Programs:					
Promotion of the Arts - Partnership Agreements	45.025		State Arts Council	885,026	-
Grants to States	45.310		Department of Libraries	2,244,613	567,871
National Foundation on the Arts and the Humanities-Subtotal				\$ 3,129,639	\$ 567,871
<b>U.S. Department of Veterans Affairs</b>					
Direct and Pass Through Programs:					
Grants to States for Construction of State Home Facilities	64.005		Department of Veterans Affairs	1,784,258	-
Veterans State Nursing Home Care	64.015		Department of Veterans Affairs	99,808,576	-
All-Volunteer Force Educational Assistance	64.124		Department of Veterans Affairs	534,527	-
U.S. Department of Veterans Affairs-Subtotal				\$ 102,127,361	\$ -
<b>U.S. Environmental Protection Agency</b>					
Direct and Pass Through Programs:					
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		Department of Environmental Quality	404,658	-
State Clean Diesel Grant Program	66.040		Department of Environmental Quality	334,543	-
Water Pollution Control State, Interstate and Tribal Program Support	66.419	OK292PT2928126218; OK292PT2928126318;	Pass-Through from Sec. of Energy & Enviro. to Dept of Enviro. Quality	2,028,139	-
Water Pollution Control State, Interstate and Tribal Program Support	66.419	OK292PT2928131718	Pass-Through from Sec. of Energy & Enviro. to Water Resources Board	608,052	-
			Program Total	2,636,191	-
State Underground Water Source Protection	66.433		Corporation Commission	407,853	-
Water Quality Management Planning	66.454	OK292PT2928121418	Pass-Through from Sec. of Energy & Enviro. to Water Resources Board	58,655	-
Capitalization Grants for Clean Water State Revolving Funds	66.458		Water Resources Board	19,939,759	18,559,162
			Clean Water State Revolving Fund Cluster Total	19,939,759	18,559,162

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Nonpoint Source Implementation Grant	66.460	OK292PT2928131318; OK292PT2928131418; OK292PT2928131518	Pass-Through from Secretary of Environment to Conservation Commission	2,156,691	-
Regional Wetland Program Development Grant	66.461	OK292PT2928137919	Pass-Through from Sec. of Energy & Environment to Conservation Commission	195,018	-
Regional Wetland Program Development Grant	66.461	OK292PT2928133817	Pass-Through from Sec. of Energy & Environment to Water Resources Board	82,127	-
			Program Total	277,145	-
Capitalization Grants for Drinking Water State Revolving Fund	66.468		Department of Environmental Quality	14,458,897	9,388,330
			Drinking Water State Revolving Fund Cluster Total	14,458,897	9,388,330
Performance Partnership Grants	66.605		Department of Environmental Quality	6,582,120	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608		Water Resources Board	48,575	-
	66.608		Department of Agriculture	15,731	-
			Program Total	64,306	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700		Department of Agriculture	592,916	-
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701		Department of Labor	183,603	-
Pollution Prevention Grants Program	66.708		Department of Environmental Quality	70,342	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		Department of Environmental Quality	8,126,674	-
Underground Storage Tank Prevention, Detection and Compliance Program	66.804		Corporation Commission	503,999	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805		Corporation Commission	808,000	-
State and Tribal Response Program Grants	66.817		Corporation Commission	256,403	-
State and Tribal Response Program Grants	66.817		Department of Environmental Quality	401,208	-
			Program Total	657,611	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		Department of Environmental Quality	13,208	-
U.S. Environmental Protection Agency-Subtotal				\$ 58,277,171	\$ 27,947,492
<b>U.S. Department of Energy</b>					
Direct and Pass Through Programs:					
State Energy Program	81.041		Department of Commerce	1,029,279	762,230
Weatherization Assistance for Low-Income Persons	81.042		Department of Commerce	2,825,581	2,558,777
U.S. Department of Energy-Subtotal				\$ 3,854,860	\$ 3,321,007
<b>U.S. Department of Education</b>					
Direct and Pass Through Programs:					
Adult Education - Basic Grants to States	84.002		Department of Corrections	582,188	-
Adult Education - Basic Grants to States	84.002		Department of Career & Technology Education	7,344,663	5,732,639
			Program Total	7,926,851	5,732,639
Title I Grants to Local Educational Agencies	84.010		Department of Education	183,467,055	181,567,623
Title I Grants to Local Educational Agencies	84.010		Office of Juvenile Affairs	49,690	-
			Program Total	183,516,745	181,567,623
Migrant Education State Grant Program	84.011		Department of Education	1,048,566	874,705
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		Department of Education	338,431	335,513
	84.013		Department of Corrections	185,761	-
	84.013		Office of Juvenile Affairs	33,815	-
			Program Total	558,007	335,513

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Special Education Grants to States	84.027		Department of Education	157,117,812	143,830,806
Special Education Grants to States	84.027		Office of Juvenile Affairs	33,531	-
Special Education Grants to States	84.027		Department of Corrections	1,150	-
			Program Total	157,152,493	143,830,806
Special Education Preschool Grants	84.173		Department of Education	3,359,892	3,243,500
			Special Education Cluster (IDEA) Total	160,512,385	147,074,306
Career and Technical Education - Basic Grants to States	84.048		Department of Career & Technology Education	16,283,679	14,358,085
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		Department of Rehabilitation Services	40,763,154	-
Migrant Education Coordination Program	84.144		Department of Education	55,336	-
Rehabilitation Services Client Assistance Program	84.161		Office of Disability Concerns	144,035	-
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177		Department of Rehabilitation Services	384,897	-
Special Education Grants for Infants and Families	84.181		Department of Education	289,134	-
Special Education Grants for Infants and Families	84.181		State Department of Health	4,723,428	-
			Program Total	5,012,562	-
School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)	84.184		Department of Education	517,921	-
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	979,448	961,464
Javits Gifted and Talented Students Education	84.206		Department of Education	309,676	-
Twenty-First Century Community Learning Centers	84.287		Department of Education	12,071,519	11,337,065
Indian Education - Special Programs for Indian Children	84.299		Department of Education	223,565	-
Special Education - State Personnel Development	84.323		Department of Education	1,302,442	-
Rural Education	84.358		Department of Education	4,833,602	4,648,288
English Language Acquisition State Grants	84.365		Department of Education	5,643,647	5,483,124
Mathematics and Science Partnerships	84.366		Department of Education	163,666	163,059
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367		Department of Education	19,057,182	18,227,921
Grants for State Assessments and Related Activities	84.369		Department of Education	4,256,829	-
Comprehensive Literacy Development	84.371		Department of Education	6,147,755	5,815,312
School Improvement Grants	84.377		Department of Education	3,830,731	3,636,590
Performance Partnership Pilots for Disconnected Youth	84.420		Department of Human Services	62,757	(10,358)
Student Support and Academic Enrichment Program	84.424		Department of Education	8,185,011	8,151,253
Student Support and Academic Enrichment Program	84.424		Office of Juvenile Affairs	15,000	-
			Program Total	8,200,011	8,151,253
U.S. Department of Education-Subtotal				\$ 484,106,968	\$ 408,356,589
<b>National Archives and Records Administration</b>					
Direct and Pass Through Programs:					
National Historical Publications and Records Grants	89.003		Department of Libraries	28,680	3,000
National Archives and Records Administration - Subtotal				\$ 28,680	\$ 3,000
<b>U.S. Election Assistance Commission</b>					
Direct and Pass Through Programs:					
Help America Vote Act Requirements Payments	90.401		State Election Board	912,661	-
U.S. Election Assistance Commission - Subtotal				\$ 912,661	\$ -

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
<b>U.S. Department of Health and Human Services</b>					
Direct and Pass Through Programs:					
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		Department of Human Services	64,610	64,610
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042		Department of Human Services	187,717	-
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043		Department of Human Services	192,009	179,091
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		Department of Human Services	3,636,890	3,394,823
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045		Department of Human Services	9,653,870	9,276,570
Nutrition Services Incentive Program	93.053		Department of Human Services	1,733,021	1,562,488
			Aging Cluster Total	15,023,781	14,233,881
Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048		Department of Human Services	(9,473)	-
	93.048		Oklahoma Insurance Department	261,748	-
			Program Total	252,275	-
National Family Caregiver Support, Title III, Part E	93.052		Department of Human Services	1,387,186	1,346,733
Medicare Enrollment Assistance Program	93.071		Oklahoma Insurance Department	239,750	-
Medicare Enrollment Assistance Program	93.071		Department of Human Services	270,654	-
			Program Total	510,404	-
Lifespan Respite Care Program	93.072		Department of Human Services	287,085	-
Birth Defects and Developmental Disabilities- Prevention and Surveillance	93.073		State Department of Health	317,534	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074		State Department of Health	9,031,150	2,904,855
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		State Department of Health	111,629	-
Enhance Safety of Children Affected by Substance Abuse	93.087		Mental Health and Substance Abuse Services	663,982	50,920
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		State Department of Health	586,029	522,259
Food and Drug Administration - Research	93.103		Department of Agriculture	1,262,864	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104		Mental Health and Substance Abuse Services	3,797,490	2,078,015
Maternal and Child Health Federal Consolidated Programs	93.110		State Department of Health	103,151	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		State Department of Health	574,679	-
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130		State Department of Health	178,703	-
Injury Prevention and Control Research and State and Community Based Programs	93.136		State Department of Health	1,994,981	260,635
	93.136		Bureau of Narcotics & Dangerous Drugs Control	295,969	-
			Program Total	2,290,950	260,635

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Childhood Lead Poison Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197		State Department of Health	334,618	-
Projects for Assistance in Transition from Homelessness (PATH) Family Planning - Services	93.150 93.217		Mental Health and Substance Abuse Services State Department of Health	443,424 3,932,906	197,231 1,088,744
Research on Healthcare Costs, Quality and Outcomes	93.226	1R18HS025067-01	Pass-Through from Agency for Healthcare Research and Quality to Mental Health and Substance Abuse Services	57,675	-
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	93.235		State Department of Health	735,724	259,273
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243 93.243 93.243		State Department of Health Department of Education Mental Health and Substance Abuse Services	291,419 527,579 9,173,576	8,585 - 4,749,333
			Program Total	9,992,574	4,757,918
Early Hearing Detection and Intervention	93.251		State Department of Health	190,254	-
Immunization Cooperative Agreements	93.268	✦	State Department of Health	63,702,439	145,167
Viral Hepatitis Prevention and Control Centers for Disease Control and Prevention Investigations and Technical Assistance	93.270 93.283		State Department of Health State Department of Health	337,926 65,572	- -
PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	93.305		State Department of Health	962,269	529,830
Early Hearing Detection and Intervention Information System (EHDII-S) Surveillance Program	93.314		State Department of Health	112,968	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323		State Department of Health	1,534,226	-
State Health Insurance Assistance Program	93.324		Oklahoma Insurance Department	567,749	-
Behavioral Risk Factor Surveillance System	93.336		State Department of Health	250,576	-
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.354		State Department of Health	399,925	273,469
ACL Independent Living State Grants	93.369		Department of Rehabilitation Services	310,927	-
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426 93.426		State Department of Health Mental Health and Substance Abuse Services	459,832 42,482	22,503 -
			Program Total	502,314	22,503
Pregnancy Assistance Fund Program	93.500		State Department of Health	477,116	382,026
Pregnancy Assistance Fund Program	93.500		Office of Juvenile Affairs	105,730	-
			Program Total	582,846	382,026
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.521 93.539		State Department of Health State Department of Health	104,448 723,845	- 151,852
Promoting Safe and Stable Families	93.556		Department of Human Services	3,274,972	813,939
Promoting Safe and Stable Families	93.556		Mental Health and Substance Abuse Services	57,430	-
Promoting Safe and Stable Families	93.556		Office of Juvenile Affairs	255,550	-
			Program Total	3,587,952	813,939

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Temporary Assistance for Needy Families	93.558		Department of Human Services	23,415,802	-
Temporary Assistance for Needy Families	93.558		Department of Career & Technology Education	3,609,508	-
Temporary Assistance for Needy Families	93.558		Department of Libraries	250,959	-
Temporary Assistance for Needy Families	93.558		Mental Health and Substance Abuse Services	2,040,477	-
TANF Cluster Total				29,316,746	-
Child Support Enforcement	93.563		Department of Human Services	25,597,586	2,861,529
Child Support Enforcement	93.563		District Attorneys Council	3,018,585	-
Program Total				28,616,171	2,861,529
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566		Department of Human Services	683,349	621,239
Low-Income Home Energy Assistance	93.568		Department of Human Services	44,787,268	-
Low-Income Home Energy Assistance	93.568		Department of Commerce	1,353,489	1,308,489
Program Total				46,140,757	1,308,489
Community Services Block Grant	93.569		Department of Commerce	8,336,716	7,857,101
Child Care and Development Block Grant	93.575		Department of Human Services	116,427,953	1,618,112
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		Department of Human Services	39,401,257	-
CCDF Cluster Total				155,829,210	1,618,112
State Court Improvement Program	93.586		Supreme Court	384,139	-
Community-Based Child Abuse Prevention Grants	93.590		State Department of Health	719,214	416,405
Grants to States for Access and Visitation Programs	93.597		Department of Human Services	122,160	-
Chafee Education and Training Vouchers Program (ETV)	93.599		Department of Human Services	966,579	-
Head Start	93.600		Department of Commerce	156,811	156,811
Developmental Disabilities Basic Support and Advocacy Grants	93.630		Department of Human Services	994,158	-
Children's Justice Grants to States	93.643		Department of Human Services	165,833	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645		Department of Human Services	944,667	-
Child Welfare Research Training or Demonstration	93.648		Department of Human Services	375,184	-
Adoption Opportunities	93.652		Department of Human Services	494,547	-
Foster Care Title IV-E	93.658		Department of Human Services	89,598,047	2,895,791
Foster Care Title IV-E	93.658		Office of Juvenile Affairs	106,883	-
Foster Care Title IV-E	93.658		Oklahoma Commission on Children and Youth	870,130	-
Program Total				90,575,060	2,895,791
Adoption Assistance	93.659		Department of Human Services	81,647,347	-
Social Services Block Grant	93.667		Department of Human Services	33,639,593	-
Child Abuse and Neglect State Grants	93.669		Department of Human Services	197,709	-
Child Abuse and Neglect Discretionary Activities	93.670	90CA1854	Pass-Through from National Quality Improvement Center to Mental Health and Substance Abuse Services	119,176	-
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		Attorney General	1,438,743	1,335,794
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674		Department of Human Services	4,289,522	1,505,828
State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	93.735		State Department of Health	210,009	-

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Elder Abuse Prevention Interventions Program	93.747		Department of Human Services	28,120	0
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	93.753		State Department of Health	51,543	-
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.757		State Department of Health	838,658	-
	93.758		State Department of Health	62,187	-
PPHF- Cooperative Agreements to Implement the National Strategy for Suicide Prevention (Short Title: National Strategy Grants)	93.764		Mental Health and Substance Abuse Services	54,663	28,405
Children's Health Insurance Program	93.767		Health Care Authority	248,460,539	-
Children's Health Insurance Program	93.767		State Department of Health	390,870	-
Children's Health Insurance Program	93.767		Mental Health and Substance Abuse Services	99,238	-
			Program Total	248,950,647	-
State Medicaid Fraud Control Units	93.775		Attorney General	1,881,213	-
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777		State Department of Health	6,908,019	-
Medical Assistance Program	93.778		Office of Juvenile Affairs	149,196	-
Medical Assistance Program	93.778		Health Care Authority	3,107,075,744	-
Medical Assistance Program	93.778		State Department of Health	3,152,751	-
Medical Assistance Program	93.778		Department of Human Services	47,034,385	-
Medical Assistance Program	93.778		Mental Health and Substance Abuse Services	584,779	-
			Program Total	3,157,996,855	-
			Medicaid Cluster Total	3,166,786,087	-
Oploid STR	93.788		Mental Health and Substance Abuse Services	9,702,926	5,492,703
Money Follows the Person Rebalancing Demonstration	93.791		Health Care Authority	1,097,209	-
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796		Health Care Authority	4,792,745	-
	93.796		State Department of Health	4,811,491	-
			Program Total	9,604,236	-
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.815		State Department of Health	169,243	-
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817		State Department of Health	94,797	-
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870		State Department of Health	6,041,666	3,918,154
Section 223 Demonstration Programs to Improve Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918		State Department of Health	12,563	0
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		State Department of Health	1,406,518	-
HIV Care Formula Grants	93.917		State Department of Health	3,680,482	327,632
Healthy Start Initiative	93.926		State Department of Health	1,010	-
HIV Prevention Activities Health Department Based Assistance Programs for Chronic Disease Prevention and Control	93.945		State Department of Health	2,261,302	474,098
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946		State Department of Health	74,901	-
Block Grants for Community Mental Health Services	93.958		Mental Health and Substance Abuse Services	141,581	-
				4,984,322	1,133,262

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Block Grants for Prevention and Treatment of Substance Abuse	93.959		Mental Health and Substance Abuse Services	13,397,143	2,848,629
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977		State Department of Health	1,057,775	-
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	93.981		Department of Education	179,324	-
	93.981		State Department of Health	65,840	-
			Program Total	245,164	-
Preventive Health and Health Services Block Grant	93.991		State Department of Health	521,750	75,206
Maternal and Child Health Services Block Grant to the States	93.994		State Department of Health	4,387,730	1,333,102
Maternal and Child Health Services Block Grant to the States	93.994		Department of Human Services	1,749,381	-
			Program Total	6,137,111	1,333,102
Assisted Outpatient Treatment Cost Reimbursement Contracts:	93.997		Mental Health and Substance Abuse Services	1,257,196	866,007
Implementation Alcohol/Drug Data Collection Client Level Projects	93.UNK		Mental Health and Substance Abuse Services	56,555	-
	93.UNK		Mental Health and Substance Abuse Services	46,983	-
U.S. Department of Health and Human Services-Subtotal				\$ 4,091,384,123	\$ 67,337,248
<b>Corporation for National and Community Service</b>					
Direct and Pass Through Programs:					
Social Innovation Fund Pay for Success	94.024	14PSHNY001	Pass-Through from Corp for Supp Housing/Non-Profit Finance to Mental Health and Substance Abuse Services	(6,713)	-
Corporation for National and Community Service-Subtotal				\$ (6,713)	\$ -
<b>Executive Office of the President</b>					
Cost Reimbursement Contract: High Intensity Drug Trafficking Areas Program					
Executive Office of the President-Subtotal	95.001		Bureau of Narcotics & Dangerous Drugs Control	76,375	-
				\$ 76,375	\$ -
<b>Social Security Administration</b>					
Direct and Pass Through Programs:					
Social Security - Disability Insurance	96.001		Department of Rehabilitation Services	44,985,423	-
Supplemental Security Income	96.006		Department of Rehabilitation Services	-	-
			Disability Insurance/SSI Cluster Total	44,985,423	-
Social Security Administration-Subtotal				\$ 44,985,423	\$ -
<b>U.S. Department of Homeland Security</b>					
Direct and Pass Through Programs:					
Boating Safety Financial Assistance	97.012		Department of Public Safety	946,040	-
Community Assistance Program State Support Services Element	97.023		Water Resources Board	399,071	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		Department of Emergency Management	49,233,215	48,800,979
Hazard Mitigation Grant	97.039		Department of Emergency Management	9,507,719	8,914,052
National Dam Safety	97.041		Water Resources Board	340,204	-
Emergency Management Performance Grants	97.042		Department of Emergency Management	3,594,397	1,634,932
Cooperating Technical Partners	97.045		Water Resources Board	487,864	-
Fire Management Assistance Grant	97.046		Department of Emergency Management	284,994	284,994
Pre-Disaster Mitigation	97.047		Department of Emergency Management	211,640	211,640



Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
State Homeland Security Program (SHSP)	97.073		Department of Public Safety	3,598,960	3,463,935
State Homeland Security Program (SHSP)	97.073		State Bureau of Investigation	407,833	-
State Homeland Security Program (SHSP)	97.073		Conservation Commission	42,535	-
			<b>Program Total</b>	<u>4,049,328</u>	<u>3,463,935</u>
Earthquake Consortium	97.082		Department of Emergency Management	2,493	-
Disaster Assistance Project	97.088		Department of Emergency Management	248,991	-
U.S. Department of Homeland Security-Subtotal				<u>\$ 69,305,956</u>	<u>\$ 63,310,532</u>
<b>U.S. Drug Enforcement Administration</b>					
Direct and Pass Through Programs:					
Other Federal Assistance - Marijuana Eradication Suppression Program	99.UNK		Bureau of Narcotics & Dangerous Drugs Control	72,887	-
U.S. Drug Enforcement Administration-Subtotal				<u>\$ 72,887</u>	<u>\$ -</u>
<b>Total Federal Assistance</b>				<u>\$ 7,179,758,341</u>	<u>\$ 963,436,455</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, 2019

## **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, 2019. 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 Comprehensive Annual Financial Report (CAFR). Component units included in the CAFR 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, 2019. The schedule reports total federal award expenditures and expenses for each federal program as identified in the Catalog of Federal Domestic Assistance (CFDA). Federal awards without identified CFDA 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, food stamps 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 food stamp issuance amount included in the accompanying schedule is stated at the value of food stamps 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

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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 CAFR. The modified accrual basis of accounting recognizes expenditures and expenses when liquidated with current resources. The Oklahoma Department of Wildlife Conservation, Department of Environmental Quality, and 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:

<u>Yes</u>	<u>No</u>
Office of Management and Enterprise Services	Military Department
Department of Mines	Attorney General
Office of Disability Concerns	Oklahoma Arts Council
	Oklahoma Aeronautics Commission
	Oklahoma Commission on Children and Youth
	Department of Corrections
	District Attorney's Council
	Election Board
	Oklahoma Employment Security Commission
	State Auditor & Inspector
	Oklahoma Dept. of Emergency Management
	Oklahoma State Bureau of Investigation
	Medicolegal Investigation Board
	Transportation Department
	Oklahoma Historical Society
	Office of Juvenile Affairs
	Department of Libraries
	Narcotics/Dangerous Drugs Control

## Notes to the Schedule of Expenditures of Federal Awards

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Ctr for Advancement of Science/Technology  
Department of Wildlife Conservation  
Supreme Court  
Department of Commerce  
Oklahoma Health Care Authority  
Department of Human Services  
Veterans Affairs Department  
Insurance Department

### Note 3. State Unemployment Insurance Fund

Expenditures for unemployment insurance, CFDA #17.225, include state unemployment insurance (UI) funds as well as federal UI funds. The state portion of UI funds amounted to \$208,873,189. The federal portion of UI funds amounted to \$32,992,278.

### Note 4. Cost Recovery of Federal Program Expenditures

During fiscal year 2019, the Oklahoma Department of Health received cash rebates from infant formula manufacturers in the amount of \$19,018,799 on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA#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 has incurred significant expenditures on construction projects that have 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 \$22,470,800 were in suspense at June 30, 2019, 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 Environmental Quality  
Oklahoma Water Resources Board

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 these 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.

## **Notes to the Schedule of Expenditures of Federal Awards**

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The Department utilized \$33,940,278 of the soft match provision for projects billed during fiscal year 2019. 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.

### **Note 7. Department of Health HIV Care Rebates**

Although federal expenditures for HIV Care Formula Grants, CFDA #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, the Oklahoma State Department of Health expended \$16,583,328 during 2019 for this program.

## **Corrective Action Plan**



**OFFICE OF MANAGEMENT AND ENTERPRISE SERVICES**

**STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN**

**2 CFR § 200.511(c)**

**SFY 2019**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
19-695-023	CAFR - Governmental Funds General Fund;  Taxes Receivable Account	<p>OMES accepts the finding and has corrected the financial statements to include the taxes receivable of other governments on the State of Oklahoma’s agency fund financial statements. It was the belief of financial reporting that such receivables were receivables of the jurisdictions that had levied the taxes, and therefore were not reportable by the State of Oklahoma until such time as the taxes had been collected and were then payable to the levying institution. OMES’ research found this treatment to be common practice. After consultation with the Government Accounting Standards Board, it was determined that such taxes should be reported as receivable at both the State of Oklahoma’s agency fund, as well as the levying institution.</p> <p>In future years, the Oklahoma Tax Commission has been instructed to report the amounts of taxes receivable for the state and taxes receivable on behalf of other governments in separate submissions. This will segregate the reporting in a</p>	12/29/2019	Matt Clarkson



		way that will protect against commingling the receivables in the state CAFR.		
19-695-029	CAFR - Agency Fund; General Fund; Cash/Cash Equivalents Account	OMES accepts this finding and has made the proper adjustments to meet the new understanding of the proper treatment of taxes held for others. The practice that had been adhered to since the implementation of GASB pronouncement number 34 was that all tax revenue collected for distribution to other governments was reported as fiduciary cash. After consultation with the Government Accounting Standards Board on a different matter, this treatment was thrown into question. For fiscal year 2019 and future reporting periods, the State of Oklahoma will only include tax revenues collected by the state but levied by other governments in the fiduciary financial statements.	12/29/2019	Matt Clarkson

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<b>Finding Number</b>	<b>Subject Heading (Financial) or CFDA no. and program name (Federal)</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2019-004	10.553, 10.555, 10.556 Child Nutrition Cluster	The \$752,000 payments were recouped within 7 days. The funds were delayed in being returned to USDA. The processes were re-evaluated within the same fiscal year, once it was detected the processes were updated which included reviewing payments and system data as available from the programmers. Further process updates will include a manual review of claims on a quarterly basis.	April 1, 2020	Jennifer Weber & Laura Meissner

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-005	10.553, 10.555, 10.556 Child Nutrition Cluster	This year letters were sent to program participants since we were told to late into the review process last year to collect the supporting documentation for reviews conducted in SY 18-19, hence the reason this is a repeat finding. So, at the request of the State auditor’s, letters were sent to the sample size selected and the program participants were requested to send them the supporting documentation, this process was partially successful but needed more time. We will explore all options that are reasonable and feasible to get the documentation including possible collection while doing onsite review or a shared drive upload. USDA FNS does not require that we collect and maintain any of the review supporting documentation for the Management Reviews (ME) they conduct on our agency. OSDE CN Management staff will perform a review of a sample of the field consultant ARs and documentation submitted upon completion of reviews conducted in SY 2019-2020.	July 1, 2020 FY 21	Jennifer Weber

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-006	10.559 Child Nutrition Cluster	This year letters were sent to program participants since we were told to late into the review process last year to collect the supporting documentation for reviews conducted in SY 18-19, hence the reason this is a repeat finding. So, at the request of the State auditor’s, letters were sent to the sample size selected and the program participants were requested to send them the supporting documentation, this process was partially successful but needed more time. We will explore all options that are reasonable and feasible to get the documentation including possible collection while doing onsite review or a shared drive upload. USDA FNS does not require that we collect and maintain any of the review supporting documentation for the Management Reviews (ME) they conduct on our agency. OSDE CN Management staff will perform a review of a sample of the field consultant ARs and documentation submitted upon completion of reviews conducted in FY 20.	May 15, 2020, summer 2020 program year	Jennifer Weber

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<b>Finding Number</b>	<b>Subject Heading (Financial) or CFDA no. and program name (Federal)</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2019-010	84.010 Title I Grants to Local Educational Agencies (LEAs)	The Office of Assessment will create a monitoring procedures manual for the 2020-2021 school year. This monitoring procedures manual will address all four of the above recommendations.	September 30, 2020	Craig Walker

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-034	84.010 & 84.367 Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant	<p>For FY20 the risk assessment procedures have been modified to better evaluate whether an LEA that has failed Consolidated Monitoring should be re-monitored immediately in the following fiscal year, or during the following three-year cycle. Entering the FY20 monitoring cycle, all LEAs that failed FY19 Consolidated Monitoring were assigned either five or ten points in risk assessment. Those LEAs that were found to be non-compliant on more than ten indicators of the monitoring tool, or who failed to submit acceptable Corrective Action Plans within thirty days of notification of non-compliance, were awarded ten points. LEAs found to be non-compliant on ten or fewer indicators and that submitted acceptable Corrective Action Plans within the allotted time were awarded five points.</p> <p>Given the resources available to the Office of Federal Programs, each year we are able to monitor roughly twenty LEAs beyond the approximately 175 LEAs on the regular three-year cycle. This year, FY20, we are monitoring the 20 LEAs that scored 11 points or more in risk assessment (Langston Hughes Academy and Seeworth Academy were not monitored as they closed. Mosely and Davenport were not monitored, because they did not claim any federal funds in FY19.)</p> <p>Thus, of the ten LEAs who failed FY19 Consolidated Monitoring with more than ten items of non-compliance, or that did not submit an acceptable Corrective Action Plan within the allotted amount of time, six were re-monitored, two were excluded because they did not claim federal funds in FY19, and two showed no other risk factors, scoring only ten points in risk assessment.</p> <p>Of the LEAs that failed FY19 Consolidated Monitoring due to non-compliance on ten or fewer indicators, four are being re-monitored in FY20.</p>	July 2019	Gloria Bayouth

		<p>In order to better follow up on compliance with federal regulations and on implementation of Corrective Action Plans, beginning with the current FY20 monitoring cycle, LEAs found to be non-compliant on the April 13, 2020 deadline, will be required to submit a Corrective Action Plan within 30 days of receipt of their non-compliance letter. Federal funds will be withheld from LEAs that fail to submit Corrective Action Plans within the 30-day period and those LEAs will automatically be subject to monitoring the following year. Then, evidence of implementing the Corrective Action Plan will be submitted to the Office of Federal Programs by Sept. 30, 2020. LEAs that fail to submit evidence of implementing Corrective Action Plans will be re-monitored and risk the withholding of federal funds, at the discretion of the Office of Federal Programs.</p>		
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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-035	84.010 Title I Grants to Local Educational Agencies (LEAs)	To strengthen our written procedures, OFP will create a review checklist for the first reviewer and second reviewer to ensure a detailed review is performed.	July 2019	Gloria Bayouth



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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-036	84.367 Supporting Effective Instruction State Grant	<p>The GMS created the FY18 closeout report to calculate the nonpublic carryover amount to FY19. Under extenuating circumstances, the nonpublic carryover amount was manually entered by LEAs in the FY19 equitable share table. GMS also checks the FY19 program specific Nonpublic Equitable Share table against the budget and the Nonpublic Services table. Starting with FY19, a new page was added in GMS named "Nonpublic School Services" which prompts the LEAs to describe the types of services that are provided to nonpublic students and schools. Also, the Ombudsman sends a form to LEAs to collect information from participating nonpublic schools in regard to the services provided, to ensure that actual services were provided to the students. Each fiscal year, LEAs submit claims that indicate that funds allocated for equitable services are obligated in the year for which they were appropriated. If there are carryover funds, the Ombudsman sends the "Extenuating Circumstances" form to LEAs to collect information from participating nonpublic schools in regard to the services provided in the previous fiscal year, to determine if there were any extenuating circumstances that resulted in carryover of the funds to the following fiscal year. If there were no extenuating circumstances, the unexpended nonpublic school funds are not carried-over to the nonpublic share.</p> <p>To strengthen our written procedures, OFP will create a review checklist for the first reviewer and second reviewer to ensure services were provided and private schools that indicated extenuating circumstances receive those funds in the following fiscal year.</p>	July 2019	Gloria Bayouth

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-049	84.010 Title I Grants to Local Educational Agencies (LEAs)	The Office of Federal Programs (OFP), Director of Finance and the Financial Analyst is currently working with the US Department of Education to revamp the Title I Allocation process and rewriting the OFP allocation processes. This will help make the allocation process much better. The charter school hold harmless allocation process is addressed in the process. The US Department of Education has given the OFP permission to adjust any FY 19 and FY 20 miscalculations in FY 20 or FY 21. The Director of Finance will calculate the allocations, and the Financial Analyst will verify the allocation calculation. OFP will also provide the allocation calculations to USDE for verification during the first few years.	July 2020	Nancy Hughes

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-054	10.558 Child and Adult Care Food Program	This was a finding on our last USDA Management Evaluation. We have updated the contract to include the required language per regulations and have developed a review checklist to use as well. This will be used starting FY 21 or sooner if any new program participants come on sooner that require a contract.	October 2020; FY21	Jennifer Weber

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-055	84.010 Title I Grants to Local Educational Agencies (LEAs)	<p>In order to ensure the supplement not supplant requirements have been met, OSDE has done the following:</p> <ul style="list-style-type: none"> <li>• placed an assurance in the FY20 Assurances Application that required LEAs to attest that the supplement not supplant requirements will be met for the current fiscal year.</li> <li>• required the LEAs to describe in the FY20 Consolidated Monitoring Tool the processes the LEA has in place to evaluate LEA’s compliance with supplanting requirements.</li> <li>• required the LEAs to describe in the FY20 Consolidated Monitoring Tool the processes to correct budgets and expenditure reports due to supplanting violations.</li> <li>• required the LEAs to upload in the FY20 Consolidated Application the methodology used to allocate state and local funds to each school in order to meet the supplement not supplant requirement under ESSA, Section 1118(b)(2).</li> </ul> <p>The OFP will collaborate with Financial Accounting Services to assist with verification of financial data submitted to that office by the LEA to ensure Title I, Part A compliance under section 1118(b)(2). Once the financial data has been verified, and a site has not demonstrated SNS compliance, the district will be notified by the OFP. The OFP will also perform verification of the Title I, Part A methodology compliance through the Consolidated Monitoring process.</p>	July 2019	Gloria Bayouth

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-056	84.367 Supporting Effective Instruction State Grant	<p>In order to ensure the supplement not supplant requirements have been met, OSDE has done the following:</p> <ul style="list-style-type: none"> <li>• placed an assurance in the FY20 Assurances Application that required LEAs to attest that the supplement not supplant requirements will be met for the current fiscal year.</li> <li>• required the LEAs to describe in the FY20 Consolidated Monitoring Tool the processes the LEA has in place to evaluate LEA’s compliance with supplanting requirements.</li> <li>• required the LEAs to describe in the FY20 Consolidated Monitoring Tool the processes to correct budgets and expenditure reports due to supplanting violations.</li> <li>• required the LEAs to upload in the FY20 Consolidated Application the methodology used to allocate state and local funds to each school in order to meet the supplement not supplant requirement under 20 U.S. Code § 6691 or ESEA, Section 2301.</li> </ul> <p>The OFP will collaborate with Financial Accounting Services to assist with verification of financial data submitted to that office by the LEA to ensure Title II, Part A compliance under 20 U.S. Code § 6691 or ESEA, Section 2301. Once the financial data has been verified, and a site has not demonstrated SNS compliance, the district will be notified by the OFP. The OFP will also perform verification of the Title II, Part A methodology compliance through the Consolidated Monitoring process.</p>	January 2021	Gloria Bayouth

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-057	10.558 Child and Adult Care Food Program	This year letters were sent to program participants since we were told to late into the review process last year to collect the supporting documentation for reviews conducted in SY 18-19, hence the reason this is a repeat finding. So, at the request of the State auditor’s letters were sent to the sample size selected and the program participants were requested to send them the supporting documentation, this process was partially successful but needed more time. We will explore all options that are reasonable and feasible to get the documentation including possible collection while doing onsite review or a shared drive upload. USDA FNS does not require that we collect and maintain any of the review supporting documentation for the Management Reviews (ME) they conduct on our agency.	October 1, 2020; FY21	Jennifer Weber

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-058	10.558 Child and Adult Care Food Program	This year letters were sent to program participants since we were told to late into the review process last year to collect the supporting documentation for reviews conducted in SY 18-19, hence the reason this is a repeat finding. So, at the request of the State auditor's, letters were sent to the sample size selected and the program participants were requested to send them the supporting documentation, this process was partially successful but needed more time. We will explore all options that are reasonable and feasible to get the documentation including possible collection while doing onsite review or a shared drive upload. USDA FNS does not require that we collect and maintain any of the review supporting documentation for the Management Reviews (ME) they conduct on our agency.	October 1, 2020; FY21	Jennifer Weber

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Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-059	10.558 Child and Adult Care Food Program	The system edits within the system failed. We will have IT start the review of this issue as soon as possible and once a fix is found it will be corrected and pushed to production to avoid this error in the future.	As soon as IT can determine the system failure for edits and push out a fix.	Jennifer Weber



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 SFY 2019**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-065	84.010 Title I Grants to Local Educational Agencies (LEAs)	The OSDE is committed to ensuring the highest quality data are being used to calculate the Oklahoma School Report Cards and the Adjusted Cohort Graduation Rate (ACGR). As such, the OSDE has developed automated processes to ensure the cleanliness and quality of the data to support valid and reliable interpretations. For the 2019 cohort (i.e., 2020 Oklahoma School Report Cards) and all future cohorts, the ACGR will be migrated from the WAVE to the Accountability Reporting system. (This will occur in the Accountability Reporting application [Single Sign-On], which is a separate reporting system from the WAVE.) Within this system, in order to remove the student from the cohort, the LEA will need to submit a request to OSDE for every student that is coded 02 (transferred out), 04 (emigrated), and 05 (passed away) and must include appropriate documentation. OSDE will approve/deny requests as warranted by the provided documentation and existing OSDE records. Any student who does not have appropriate documentation will remain in that school’s cohort year as a non-graduate. Their exit status will be updated to one deemed most appropriate by OSDE (in most cases, this will be “03 - Dropout”). By transitioning to an automated auditing process, the OSDE will be able to monitor 100% of the students being removed from a cohort to ensure the graduation rates are an accurate reflection of Oklahoma’s high schools. Additionally, the OSDE is producing and disseminating standardized policies and procedures to ensure the most accurate reporting as possible.	Fall 2020	Maria Harris

JOY HOFMEISTER  
 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 2019**

<b>Finding Number</b>	<b>Subject Heading (Financial) or CFDA no. and program name (Federal)</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2019-081	10.553, 10.555, 10.556 & 10.559 Child Nutrition Cluster	A spreadsheet has been created to track the SFAs that exceed their 3-month operating balance. This includes the amount they are over and the documentation the SFA submits to show that this excess was spent to bring them into compliance with this requirement.	June 1, 2020	Jennifer Weber



STATE OF OKLAHOMA  
DEPARTMENT OF EMERGENCY MANAGEMENT

OKLAHOMA DEPARTMENT OF EMERGENCY MANAGEMENT (OEM)  
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
SFY 2019

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-008	97.036 Disaster Grants – Public Assistance	OEM has adopted a subrecipient monitoring policy and completed the subrecipient risk assessment for 2020. This will ensure OEM monitors subrecipients in accordance with 2 CFR 200.331. Additionally, OEM now monitors all advances prior to closeout or before advancing additional funds. A formalized procedure outlining this process will be crafted and adopted no later than 05/01/2020.	5/1/2020	Alden Graybill and the Public Assistance Division; Daniel Piltz and the Compliance Division
2019-009	97.036 Disaster Grants – Public Assistance	OEM will formalize a procedure for necessary controls to ensure accurate reporting of total federal expenditures no later than 5/1/2020, Agency Business Services (ABS) will be included in this process. Additionally, OEM will work with ABS for all GAAP reporting.	5/1/2020	Sandy Henry and the Finance Division
2019-018	97.036 Disaster Grants – Public Assistance	OEM has hired an Accountant whose main job function is to reconcile and document all draws on an AGL for each award. Policies and procedures are being developed for AGL as well as 425 reporting. This process will be documented and the policy and procedure will be completed no later than 6/5/2020.	6/5/2020	Sandy Henry and the Finance Division
2019-032	97.036 Disaster Grants – Public Assistance	OEM has returned the relevant funds. Additionally, OEM and ABS now have a process to reconcile Pathfinder contributions monthly. Journal vouchers are created monthly to ensure the appropriate accounts are charged. This process will be documented into a formal procedure no later than 5/1/2020.	5/1/2020	Sandy Henry and the Finance Division





STATE OF OKLAHOMA  
DEPARTMENT OF EMERGENCY MANAGEMENT

<p>2019-033</p>	<p>97.036 Disaster Grants – Public Assistance</p>	<p>OEM is currently re-assessing and updating the Large Project Closeout checklists, standard operating procedures, and standard operating guides. During this process, OEM will pay special attention to document the Large Project Closeout process in detail. Doing so should mitigate future issues such as the one noted in finding no: 2019-033.</p> <p>1.1 Draft How To document for Large Project Closure for Review - March 25, 2020 - Michael Teague          1.2 Complete How To Document for Large Project Closure - April 15, 2020 - Michael Teague          1.3 Draft SOP for Large Project Closures - May 1, 2020 Alden Graybill          1.4 Train Additional Staff on Large Project Closures - May 1, 2020          1.5 Submit Request to FEMA for additional Staff for Closures - March 15, 2020 - Alden Graybill - Complete          1.6 FEMA staff deployed to aid in Large Project Closures - May 1, 2020</p>	<p>6/1/2020</p>	<p>Alden Graybill, Michael Teague, and the Public Assistance Team</p>
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# Oklahoma Employment Security Commission



Robin Roberson, Executive Director

J. Kevin Stitt, Governor

**Representing Employers**

David Adams, Commissioner  
Karen Hudson, Commissioner

**Representing the Public**

David Reid, Chair

**Representing Employees**

Jim Quillen, Commissioner  
Trent Smith, Commissioner

**OKLAHOMA EMPLOYMENT SECURITY COMMISSION  
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
SFY 2019**

<b>Finding Number</b>	<b>Subject Heading (Financial) or CFDA no. and program name (Federal)</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2019-077	17.225 Unemployment Insurance	OESC has reclassified the excess SFY2019 Pathfinder contributions from the account code 513300 for federal grant funds to the OESC revolving funds for penalty and interest. The finance comptroller will review the 513300 account each month and will create a journal entry that is approved by the CFO to reclassify any unallowable charges to the account. USDOL has reviewed this process and deemed it sufficient to correct this finding on October 18, 2019.	9/25/19	Denise Edmond
2019-078	17.225 Unemployment Insurance	OESC has successfully completed the design, programming, and implementation of a system that will ensure compliance with 40 O.S. § 2-613 (1) in assessing a 25% penalty applicable to fraud overpayments with 3/5 of the penalty amount collected being deposited into the Unemployment Trust Fund.	12/31/19	Kerry Master



**OKLAHOMA HEALTH CARE AUTHORITY  
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
SFY 2019**

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-012	93.767 Children’s Health Insurance Program  93.778 Medicaid Cluster	To address monitoring of changes, above and beyond the process already in place, a monthly system report of changes to edits/audits will be made available to the Claims Resolution Supervisor in the Financial Resources Division at OHCA. Any changes reported will be reviewed in the MMIS by the supervisor or staff member to ensure that the change went through the proper approval process and there is supporting documentation.	January 2020	Holly Rictor
2019-025	93.778 Medicaid Cluster	DHS concurs. During SFY’19, AFS experienced a significant loss in staff resulting from the state’s revenue shortfall. Initially, the task of addressing G1DX’s was assigned to the Support Center Staff. With an increase in applications based on the economy, the Support Center staff fell behind with the task of addressing G1DX’s. To address the untimeliness, the following process was implemented during the 3 <sup>rd</sup> quarter of FY’19: <ul style="list-style-type: none"> <li>• County Staff is responsible for clearing data match discrepancies (G1DX messages) on a weekly basis.</li> <li>• Supervisors must review their staff’s G1DX messages every two weeks to ensure that messages are properly being cleared and case noted.</li> <li>• All data match discrepancies must be cleared and case noted within 45 calendar days of receiving the G1DX message.</li> <li>• Conduct Back to Basics Training to address G1DX discrepancies.</li> </ul> OHS AFS staff will continue to utilize the monitoring reports created for the G1DX discrepancies based on worker, supervisor, county and region. This will assist management with monitoring the type of discrepancy; number of outstanding days, and identify	July 1, 2020	Paulette Kendrick; Ginger Clayton



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J. Kevin Stitt | Governor

		<p>staff responsible for clearing the discrepancy within the 45 days based on current Federal regulation 45 CFR 205.56(a)(1)(iv) and DHS Policy OAC 340:65-3-4-4 (C).</p> <p>To ensure the operating effectiveness of these procedures, the Member Audit team at the Oklahoma Health Care Authority will conduct a post implementation audit and sample cases monthly for six months. The post implementation audit will include a minimum of 100 items listed on G1DX to assure appropriate action occurred in a timely manner. The cases will be selected from cases that appeared on G1DX lists. The Member Audit team will complete additional reviews as determined necessary to resolve insufficiencies, and may focus on specific county offices if necessary. Additionally, the Member Audit team will evaluate new business processes and training materials.</p>		
2019-046	93.778 Medicaid Cluster	<p>OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. OHCA will also continue with annual spring and fall provider training to better educate our providers.</p>	June 30, 2020	Josh Richards
2019-047	93.767 Children's Health Insurance Program	<p>OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. OHCA will also continue with annual spring and fall provider training to better educate our providers. Regarding these specific findings, the improper payments will be recouped and the federal share returned to CMS.</p>	June 30, 2020	Josh Richards
2019-053	93.778 Medicaid Cluster	<p>As of June 30, 2019, the Oklahoma Health Care Authority implemented written policies to ensure that violations of Medicaid laws and regulations by providers were identified and referred to the Office of the Oklahoma Attorney General.</p> <p>The OHCA concurs internal controls over the reporting of MFCU recoveries need to be implemented. The restitutions amounts of \$55,508.62 and \$922,932.03 were included on the CMS-64 quarter ending 9-30-2019 report. Only the MFCU investigative costs reimbursements transferred to the OHCA were not reported on the CMS-64. These amounts total \$73,167.83 total computable of which \$43,836.25 is the federal share.</p> <p>The OHCA will request all MFCU correspondence related to recoveries not only be sent to the General Accounting Unit but the Financial Accountability and Compliance Unit as well. This will ensure the recoveries are reported on the CMS-64. The OHCA will also make the appropriate adjustments on the next CMS-64.</p>	April 30, 2020	Candace Arnold; Susan Crooke



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2019-087	<p>93.767 Children's Health Insurance Program</p> <p>93.778 Medicaid Cluster</p>	<p>The Authority has followed available guidance on regulations and interpretation as it has become available since the implementation of Modified Adjusted Gross Income (MAGI) in 2013. All procedures implemented prior to recent efforts to revise eligibility determination practices were based on information available in regulations and guidance at implementation and from subsequent updates from Centers for Medicare and Medicaid Services (CMS). The Authority has received further guidance on regulation interpretation and began working toward creating system and operational changes to address the newly identified procedural expectations. The Authority has discovered gaps in procedures related to verification of income when data exchange information is unavailable, inadequate application of data exchange matches, zero income reported on applications, applications possibly exceeding the Federal Poverty Level, and child support computing in total household income. The Authority has been working diligently to resolve insufficiencies and weaknesses in income verification procedures within the Online Eligibility system and operational procedures to align with Federal Regulations. Additionally, the Agency is exploring additional wage matching options through CMS. Exceptions the State Auditor and Inspector's Office identified are consistent with recent PERM findings, as well as agency audit findings. Verification will be obtained through alternate sources, including member requests, to ensure all unverified sources of income not available through electronic data exchange sources are verified. The change will include verification post initial determination, prior to renewal, and when changes are reported. The expansion of these practices will occur after electronic verification has been attempted and will serve to fill the gap in verification that was identified in this report. The Authority will update the State Verification Plan to more explicitly explain updated income verification practices, how the state utilizes self-attestation to benefit members at initial application, termination of income, and when reporting a change in income. In order to achieve the identified corrections, the agency intends to implement systematic change, exploring additional wage verification sources, operational training, revising business processes, and increase staffing available to meet the demand of increased documentation request processing.</p> <p>To ensure these changes are properly designed and operating effectively, the Member Audit team at the Oklahoma Health Care Authority will conduct a post implementation audit and sample cases monthly for six months.</p>	July 15, 2020	Ginger Clayton
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		The post implementation audit will include 100 eligibility cases appropriate for each identified corrective action. The cases will be selected for the appropriateness to the identified issue. The Member Audit team will complete additional reviews as determined necessary to resolve insufficiencies. Additionally, the Member Audit team will review new language on the State Verification Plan and evaluate new business processes and training materials.		
2019-088	93.778 Medicaid Cluster	<p>Outlined below are the steps Oklahoma Human Services' Social Service Specialist will be encouraged to follow during the Non-MAGI Medicaid eligibility determination/redetermination process:</p> <ul style="list-style-type: none"> <li>• Monitor their County Worker Action (CWA) report weekly for pending applications and upcoming Medicaid redeterminations reviews.</li> <li>• Review the Asset Verification System (AVS) and Case Notes steps via the on-line training tool QUEST Steps to Completing Annual Reviews <a href="https://fsquest.oucpm.org/2017/programs/aged-blind-disabled/steps-to-completing-annual-reviews/">https://fsquest.oucpm.org/2017/programs/aged-blind-disabled/steps-to-completing-annual-reviews/</a>.</li> <li>• Review the Notice List (NL) screen or DISC Image System following certification to ensure the Non-MAGI Medicaid recipients receive accurate eligibility notification.</li> </ul> <p>OHS Adult Family Services Social Services Specialist will adhere to the steps above in order to ensure determinations/redeterminations of Non-MAGI Medicaid eligibility complies with applicable laws and regulations.</p> <p>To ensure the operating effectiveness of these procedures, the Member Audit team at the Oklahoma Health Care Authority will conduct a post implementation audit and sample cases monthly for six months. The post implementation audit will include a minimum of 100 eligibility cases appropriate for each identified corrective action. The cases will be selected for the appropriateness to the identified issue. The Member Audit team will complete additional reviews as determined necessary to resolve insufficiencies. Additionally, the Member Audit team will evaluate new business processes and training materials.</p>	July 1, 2020	Carla McCarrell-Williams; Ginger Clayton
2019-089	93.778 Medicaid Cluster	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).	July 1, 2020	Carla McCarrell-Williams; Ginger Clayton



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		<p>OHS’ Adult and Family Services, Business Analysis and Product Unit are responsible for setting jobs to run automatically or manually in a production environment. These jobs are performed during off peak business hours.</p> <p>Outlined below are the steps in place to be used when the system indicates the data exchange job failed to run:</p> <ul style="list-style-type: none"> <li>• Take action to immediately follow-up the next business day.</li> <li>• Consult with the customer to identify the error.</li> <li>• Determine if and when the job will be re-run.</li> </ul> <p>OHS’ Adult Family Services Business Analysis and Product Unit will continue to collaborate with the Office of Management and Enterprise Services – Information Services Division (OMES-ISD) to ensure compliance with the Social Security Act §1137 and OKDHS Policy OAC 340:65-3-4 (4).</p> <p>To ensure the operating effectiveness of data exchange jobs, the Member Audit team at the Oklahoma Health Care Authority will conduct a monthly review of all data exchange jobs to ensure proper frequency and resolution for missed jobs. The post implementation audit will include a review of all data exchange jobs expected for the timeframe under review to assure appropriate action occurred in a timely manner. This review will be an ongoing process for the Member Audit team. Additionally, the Member Audit team will evaluate new business processes and training materials.</p>		
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Oklahoma State Department of Health  
Creating a State of Health

OKLAHOMA STATE DEPARTMENT OF HEALTH  
STATE OF OKLAHOMA - SINGLE AUDIT

CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
SFY 2019

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-041	93.268 Immunization Cooperative Agreements	The OSDH has established procedures to retain supporting documentation of the Indirect Cost (IDC) rate calculation applied to each month, with journal entries posting IDC.	4/15/2020	Bethany Ledel
2019-068	93.917 HIV Care Formula Grant	The Ryan White grant has been reconciled between Time and Effort (actuals) and the FISCAL system, once at closeout. The Ryan White grant budget period is from April through March. At June 30, 2019, there were three months unreconciled. This accounts for the discrepancy. To prevent this going forward, OSDH is changing the procedure from reconciling Time and Effort to FISCAL once at closeout to reconciling Time and Effort to PeopleSoft SAS at reporting of the grant and at the closing of the last pay period of the State Fiscal Year.	9/30/2020	Danielle Durkee
2019-069	93.917 HIV Care Formula Grant	On August 21, 2018 the OSDH implemented the two separate funds for Ryan White within the FISCAL system. These funds clearly delineate the revenues received and expense incurred for the AIDS Drug Assistance Program (ADAP) rebate fund (Fund 411) and the RWHAP federal award (Fund 410). This delay caused the finding. However, the two funds are currently being utilized by OSDH to track the revenues and expenditures associated with the Ryan White HIV/AIDS Program.	8/21/2018	Jennifer Reeves
2019-070	93.917	The OSDH procurement staff currently maintains a log of sub-recipient contracts. This list is forwarded to the grants unit on a monthly basis. The grant unit	07/01/2020	Robert Goad

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	HIV Care Formula Grant	reviews the document for inclusion on the SEFA report. The grants unit maintains a list of grants including the FAIN #. This list is now supplied to OSDH procurement who will review Federal Award Identifying Numbers (FAINs) for inclusion on the sub-recipient award documentation. The Procurement Division will hire sufficient employees or adjust monitoring workloads to ensure OSDH is able to adequately monitor sub-recipients in accordance with the CMP.		
2019-071	93.917 HIV Care Formula Grant	The OSDH procurement staff currently maintains a log of sub-recipient contracts. This list is forwarded to the grants unit on a monthly basis. The grant unit reviews the document for inclusion on the SEFA report. The grants unit maintains a list of grants including the FAIN #. This list is now supplied to OSDH procurement who will review Federal Award Identifying Numbers (FAINs) for inclusion on the sub-recipient award documentation. The OSDH will review the FAIN number as part of its review of subaward documentation, before contracts are finalized.	02/01/2019	Robert Goad
2019-072	93.917 HIV Care Formula Grant	Previously, rebates were included in SEFA balances. Per federal guidance, rebates are not considered Federal funds for reporting purposes. The OSDH has developed a revised SEFA procedure to omit rebate balances from Ryan White reported balances. A secondary review will be performed to ensure no rebate balances are included in SEFA reported balances, in addition to the supervisory review.	03/01/2020	Bethany Ledel
2019-073	93.268 Immunization Cooperative Agreements	OSDH will designate a file for QA VFC Site Visit documentation and will be reviewed by supervisory staff.	07/01/2020	Fauzia Khan
2019-084	93.268 Immunization Cooperative Agreements	OSDH will ensure appropriate review process for GAAP package Z with final approval for submission from Budget and Grants Management.	07/01/2020	Fauzia Khan
2019-085	93.268 Immunization Cooperative Agreements	Procedures will be put in place to ensure Pathfinder excess contributions are not charged to Federal grants.	07/01/2020	Danielle Durkee



**OKLAHOMA DEPARTMENT OF HUMAN SERVICES  
STATE OF OKLAHOMA – SINGLE AUDIT**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
SFY 2019**

<b>Finding Number</b>	<b>Subject Heading (Financial) or CFDA no. and program name (Federal)</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2019-001	93.575 and 93.596 CCDF Cluster	<p><b>Bullet 1:</b> Concur: It is the responsibility of the child care program to request fire inspections. A plan of action will be put in place by 4-1-20. Child Care Services will consult with child care program to assist in getting fire inspections timely. However, when fire inspections are not obtained timely a non-compliance will be documented.</p> <p><b>Bullet 2:</b> Concur: The programs cited did not have documentation that programs were compliant and did not document non-compliance. A plan of action will be put in place by 4-1-20.</p> <p>Furthermore, 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.</p> <p><b>Bullet 3:</b> Concur: The programs cited did not have documentation that programs were compliant and did not document non-compliance. A plan of action will be put in place by 4-1-20.</p> <p>Furthermore, 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.</p> <p><b>Bullet 4:</b> Do not concur: On the recommendation of the State Auditor a statement has been added to monitoring checklist which states that “all items on the checklist were monitored and found to be in compliance at the time of the monitoring visit unless marked otherwise.” This statement was added to the monitoring checklists as of March 18<sup>th</sup>, 2015. In addition, a statement has been incorporated into the child care center monitoring checklist as of January 1<sup>st</sup>, 2016 stating that “All items listed below are compliant unless marked as “NC” Non-compliant or “NR” Not reviewed.” The format of the current monitoring checklist and summary used by licensing staff has not changed from the monitoring checklist and summary previously approved. It appears CCS staff followed existing DHS policy, OAC 340:110-1-9, when completing the monitoring checklists. In addition CCS staff complete rigorous training to ensure the monitoring visits and checklists are completed</p>	December 1, 2020	Dione Smith

		<p>according to DHS policy.</p> <p>Furthermore, only monitoring checklists and summaries were requested for review. In accordance with DHS policy, OAC 340:110-1-9.3. Non-compliance with requirements section (d) (1-12), follow up may take place in a number ways, which may include options other than follow-up visits (Policy attached). Follow up documents were not requested by the State Auditor</p>		
2019-014	93.558 TANF Cluster	<p>As of July 1<sup>st</sup>, 2019, the agency stopped charging Pre-K expenditures as MOE. For state fiscal year 2019, the agency did receive a certification letter of expenditures from the State Department of Education for the Pre-K program. The expenditures for Pre-K were \$68,679,704 for the year. This vastly exceeds the \$12,079,313 DHS used as MOE.</p> <p>Through Open Records Request, DHS was able to determine the overall percentage of children eligible for the Free and Reduced Lunch Program across the state. The income eligibility requirements of this program match the eligibility for TANF. Using that percentage, DHS can be highly confident the claimed expenditures were used to provide services to TANF eligible children. However, the Program Instruction from ACF establishing the 50% general population availability was not taken into account.</p>	July 1, 2019	Chris Smith
2019-015	93.558 TANF Cluster	<p>The Oklahoma Department of Human Services concurs with the internal control process not being adequate to provide case by case determinations of TANF eligibility during state fiscal year 2019. Starting with state fiscal year 2020, the agency receives monthly data which meets eligibility requirements. This data is provided on a case by case basis for childcare subsidies. For state fiscal year 2019, the Oklahoma Department of Human Services was able to obtain data which provides case by case TANF eligibility information for childcare subsidies. This data can be provided on a month by month basis and the total expenditures exceed the questioned costs. While we concur the internal controls were not adequate during the fiscal year, the agency does have the appropriate data to prove the costs were used appropriately.</p>	July 1, 2019	Chris Smith
2019-016	10.551 SNAP Cluster	<p>The EPS State Office along with AFS leadership are working together to ensure all existing EBT Specialists review the EBT Handbook. EPS and AFS leadership will require all existing EBT Specialists to submit a validation of reviewing the handbook on an annual basis. This handbook is updated electronically each year by the EPS State Office and emailed to existing and new EBT Specialists. Each EBT Specialist must sign an access form stating they have read and understand the handbook. The access form is maintained by EPS in a locked file cabinet in the EPS office area. The EPS office has revised the handbook for 2019, adding clarification on some changes and located some requirements in more than one place in the handbook so that they get reinforced. The AFS division now performs EBT audits semi-annually on all county offices. Additionally, the audit checklist was expanded to ensure required areas are being reviewed and verified. Satellite offices that have only one employee located in that office cannot have two signatures each day. Instead, a supervisor comes to the office once a week and reviews all reports for the previous week and signs off on the reports for those days that are correct. If any day is not</p>	January 2020	Thomas Pennington

		correct, then the employee and the supervisor review that day's reports and find the error, correct the report, and both sign the report. AFS leadership has also required the Administrative Assistants in the field offices to spot check the destruction logs every month to make sure that cards that are returned to the field offices are being deactivated and destroyed properly and the report is being completed correctly. EPS is also requesting that AFS leadership require all field offices to use a standard report form for logging all destroyed cards so that there is uniformity and consistency across all offices. Finally, there are occasions that a field office requests a duplicate card be printed since the first card may have had a magnetic strip error or the ink ribbon skipped some of the printing making it illegible to read the card. EPS is requesting that all AFS field offices, when destroying a duplicate card, note this on the destruction log since these cards cannot be deactivated without deactivating the card the client received since it is a duplicate card.		
2019-024	93.558 TANF Cluster	Supporting documentation had the correct number of children served in child care, however, a human error was identified in transferring data from the spreadsheet into the report. The TANF Program Manager has addressed this situation with the PFR and the report has been corrected and going through the process of resubmission. Special Care will be taken in the future in proofreading the spreadsheet data that is transferred into the 204 document. The spreadsheet document field for the average number of children in childcare is being reformatted into a visually friendly format to help ensure the proper data number is used and transferred into the ACF-204.	April 30, 2020	Paulette Kendrick
2019-025	93.558 TANF Cluster, 10.551 SNAP Cluster, 93.575 and 93.596 CCDF Cluster, and 93.778 Medicaid Cluster	<p>During SFY'19, AFS experienced a significant loss in staff resulting from the state's revenue shortfall. Initially, the task of addressing G1DX's was assigned to the Support Center Staff. With an increase in applications based on the economy, the Support Center staff fell behind with the task of addressing G1DX's. To address the untimeliness, the following process was implemented during the 3<sup>rd</sup> quarter of FY'19:</p> <ul style="list-style-type: none"> <li>• County Staff is responsible for clearing data match discrepancies (G1DX messages) on a weekly basis.</li> <li>• Supervisors must review their staff's G1DX messages every two weeks to ensure that messages are properly being cleared and case noted.</li> <li>• All data match discrepancies must be cleared and case noted within 45 calendar days of receiving the G1DX message.</li> <li>• Conduct Back to Basics Training to address G1DX discrepancies.</li> </ul> <p>OHS AFS staff will continue to utilize the monitoring reports created for the G1DX discrepancies based on worker, supervisor, county and region. This will assist management with monitoring the type of discrepancy; number of outstanding days, and identify staff responsible for clearing the discrepancy within the 45 days based on current Federal regulation 45 CFR 205.56(a)(1)(iv) and DHS Policy OAC 340:65-3-4-4 (C).</p>	July 1, 2020	Paulette Kendrick
2019-027	93.558 TANF Cluster	Deputy Directors and County Directors will be notified of the findings and the requirements of determining good cause prior to sanctioning any case. Back to Basics will be required statewide and a 2 <sup>nd</sup> party Supervisory Read will be put into place prior to closing any case on 52A. In addition,	July 1, 2020	Paulette Kendrick

		as we are beginning to transition our TANF workers to a Family Centered Coaching case management method that requires frequent communication between TANF clients and Workers, we feel this will also assist in fostering additional communication regarding good cause determinations as well.		
2019-028	93.558 TANF Cluster	Deputy Directors and County Directors will be notified of the findings and the requirements of determining good cause prior to sanctioning any case. Back to Basics will be required statewide and a 2 <sup>nd</sup> party Supervisory Read will be put into place prior to closing any case on 52A. In addition, as we are beginning to transition our TANF workers to a Family Centered Coaching case management method that requires frequent communication between TANF clients and Workers, we feel this will also assist in fostering additional communication regarding good cause determinations as well.	July 1, 2020	Paulette Kendrick
2019-031	93.575 and 93.596 CCDF Cluster	Starting in August of 2018, the agency will have the opportunity to include the rate increase to child care providers within the bounds of the quality initiatives. This will provide adequate expenditures to meet the 9% and 3% requirements for FFY19. Finance has also tightened the internal controls of the tracking and reporting spreadsheet for the ACF-696. These controls will allow for monthly and quarterly monitoring and analysis of the initiatives to ensure the agency is meeting requirements.	July 2019	Joni Riley
2019-043	93.558 TANF Cluster	The Deputy Director and the County Directors are being notified of the errors on these cases. They will be required to conduct Back to Basics Training on proper forms to be imaged into the case file with emphasis being placed on documentation required to be imaged into the case file including application and reviews, school attendance records, TANF Work requirements for Minor parent, and interview information that is required to be documented in case notes such as household information.	July 1, 2020	Paulette Kendrick
2019-044	93.558 TANF Cluster	AFS State Office leadership will be meeting with the Deputy Directors to develop a cohesive plan to ensure that all staff are printing off the ACES screens as well as reviewing and documenting their review findings in case notes. Due to the current COVID-19 pandemic causing some delays, the meeting with the Deputy Directors will be held and a plan of action will be established no later than July 1, 2020.	July 1, 2020	Paulette Kendrick
2019-045	93.558 TANF Cluster	We discovered last summer (mid July 2019) there seemed to be inconsistencies in scanning the hardship forms in. It was at that time that we made a change to our process. Now, when the TW-24 or TW-is received by the AFS TANF Unit, once a decision is made and the form is completed, the TANF Unit members now scan the document into imaging and then notify the client by email that a decision has been made and they can find the document in imaging. This ensures that all TW-24 & 25 forms are scanned in immediately and in the same folder for each client, reducing the chances of lost forms, forms being scanned into other cases and all forms are consistently filed in the same location for each client. I did send a reminder email to the State Office TANF Unit of the importance of continuing to do this prior to notifying county staff that a decision has been made.	March 20, 2020	Paulette Kendrick



2019-050	93.667 Social Services Block Grant	The Oklahoma Department of Human Services concurs with the internal control process not being adequate to provide monthly determinations of the 200% poverty level for children being served on the TANF transfer to SSBG in state fiscal year 2019. Starting with state fiscal year 2020, the agency receives monthly data from KIDS which meets eligibility requirements. This data is assigned to SSBG cases provided in the Random Moment Time Study. For state fiscal year 2019, the agency was able to obtain month by month data which provides evidence of the 200% poverty level on 805 cases in the RMTS. The agency does not concur with SAI's view of the basis for the methodology of the RMTS. The expenditures assigned to a RMTS response can be calculated as the value of the Child Welfare case worker's time and efforts for each response. Using that value per response, the agency does meet and exceed the questioned costs.	July 2019	Chris Smith
2019-051	93.558 TANF Cluster	Though there was an internal understanding in a written memo which states the services were for TANF participants only, the contract does not reflect that terminology. Since 2015 per the written memo, the contracted training was only provided to TANF clients. DHS does receive attendee lists from the vocational programs. These will be provided on a quarterly basis starting with state fiscal year 2020. Also, the contract will be amended to state the participants of the training program will only be available for current TANF clients.	July 2019	Chris Smith
2019-052	93.558 TANF Cluster	In November, when we receive the Social Security File with the new COLA amounts, we temporarily stop several jobs related to G1DX discrepancies for Social Security and SSI. We do this because the cases haven't yet been updated (overall will do that) and each case will get a discrepancy. After the overall runs the process is started again. Except that this year it didn't get completely re-started. The program that sends records to SSA when the TPQYC screen is updated was not initiated. From about 11/2018 - 06/2019 nothing was going to Social Security when a TPQYC screen was completed. There are other processes that send records to Social Security (putting a case in app status, certifications, and renewals) and these processes worked, but the TPQYC process did not work. The issue was resolved in 06/2019. Updates were made to the documentation regarding overalls to specifically mention that this process must be restarted.	July 1, 2020	Helen Goulden
2019-063	93.658 Foster Care – Title IV-E	<ol style="list-style-type: none"> <li>1. All non-compliant agreements will be cancelled. New contracts will be written and executed for the appropriate sub-recipient agencies. These contracts will have language covering all required information.</li> <li>2. DHS will develop and require quarterly performance reports to assess compliance with program requirements.</li> <li>3. Establish procedures with OIG to ensure DHS receives and reviews a single audit or program audit from sub-recipients in compliance with 2 CFR 200.501.</li> </ol>	July 1, 2020	Kevin Haddock
2019-067	93.558 TANF Cluster	Established procedures for the Payment Management (PMS) reporting will be tightened to ensure proper expenditures match the federal reports such as the ACF-196R.	July 2019	Chris Smith
2019-074	93.558 TANF Cluster	An accounting error was made in the month of June 2019 which was intended to reconcile line 7.a of the ACF-196R. As a corrective action plan, a process will be established to check all adjustments and reconciliations by the Finance	March 31, 2020	Chris Smith

		Administrator for the ACF-196R report. A cost allocation adjustment to correct the mis-calculation was reported in the month of February 2020.		
2019-075	93.558 TANF Cluster	The Oklahoma Department of Human Services concurs with the internal control process not being adequate to provide case by case determinations of TANF eligibility during state fiscal year 2019. Starting with state fiscal year 2020, the agency receives monthly data which meets eligibility requirements. This data is provided on a case by case basis for childcare subsidies. For state fiscal year 2019, the Oklahoma Department of Human Services was able to obtain data which provides case by case TANF eligibility information for childcare subsidies. This data can be provided on a month by month basis and the total expenditures exceed the questioned costs. While we concur the internal controls were not adequate during the fiscal year, the agency does have the appropriate data to prove the costs were used appropriately.	July 2019	Chris Smith
2019-083	93.575 and 93.596 CCDF Cluster	An adjustment of \$99,654.01 will be made with the Quarter Ending March 2020 cost allocation reports. Further, the CARE unit will review and update the internal controls of the direct cost certificates to ensure a quarterly check procedure is included.	March 31, 2020	Chris Smith
2019-089	93.778 Medicaid Cluster	<p>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).</p> <p>DHS’ Adult and Family Services, Business Analysis and Product Unit are responsible for setting jobs to run automatically or manually in a production environment. These jobs are performed during off peak business hours.</p> <p>Outlined below are the steps in place to be used when the system indicates the data exchange job failed to run:</p> <ul style="list-style-type: none"> <li>• Take action to immediately follow-up the next business day.</li> <li>• Consult with the customer to identify the error.</li> <li>• Determine if and when the job will be re-run.</li> </ul> <p>DHS’ Adult Family Services Business Analysis and Product Unit will continue to collaborate with the Office of Management and Enterprise Services – Information Services Division (OMES-ISD) to ensure compliance with the Social Security Act §1137 and OKDHS Policy OAC 340:65-3-4 (4).</p> <p>To ensure the operating effectiveness of data exchange jobs, the Member Audit team at the Oklahoma Health Care Authority will conduct a monthly review of all data exchange jobs to ensure proper frequency and resolution for missed jobs. The post implementation audit will include a review of all data exchange jobs expected for the timeframe under review to assure appropriate action occurred in a timely manner. This review will be an ongoing process for the Member Audit team. Additionally, the Member Audit team will evaluate new business processes and training materials.</p>	March 17, 2020	Carla McCarrell- Williams (DHS) and Ginger Clayton (OHCA)



April 10, 2020

DEPARTMENT OF REHABILITATION SERVICES  
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
SFY 2019

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-037	#96.001/96.006 Disability Insurance/SSI Cluster	Fiscal How Tos” is an electronic handbook in OneNote that outlines how to complete the varying documents and reports that are requested by SSA. The tab outlining the completion of the 4514 has been updated to double check that all Excel formulas are accurately capturing the information necessary.	3/17/2020	Jennifer Thornton-Johnson
2019-038	#96.001/96.006 Disability Insurance/SSI Cluster	Fiscal How Tos” is an electronic handbook in OneNote that outlines how to do everything that the accounting department needs to know how to do. This is a living document that outlines the procedures on how to complete any given document. A reminder was added in “Monthly”/“October” to remind the person doing the expenditures file that the Payroll completed in the first part of October should be in the previous federal fiscal year. Additionally, we are asking that DRS staff double check that this is correct when received from DDS staff.  FSD has implemented a procedure to capture the actual pay run date cycle and include it on the Preliminary Expenditure spreadsheet. In the monthly processing of the SSA expenditures staff will use the Pay Run ID number located on the PR Reconciliation Spreadsheet to identify the pay cycle of each payroll transaction generated from People Soft. The pay cycle date will be added to the Preliminary Expenditure spreadsheet payroll	3/6/2020  6/30/2020	Jennifer Thornton-Johnson  Cynthia Knight

*Empowering Oklahomans with Disabilities*

**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**SFY 2019**

2019-038	#96.001/96.006 Disability Insurance/SSI Cluster	transactions and will serve as the additional checkpoint to DDS to correctly identify and enter the federal grant year of the expenditure. On the finalization of the monthly expenditures, staff will have an additional opportunity to review the federal grant year entered by DDS and confirm it coincides with the pay cycle entered. In regard to the questioned cost of \$239,330 as it pertains to the FFY2018 period of performance, we will work with the regional office of SSA for guidance on the reporting issue and questioned cost.	Continued 6/30/2020	Cynthia Knight
2019-040	#96.001/96.006 Disability Insurance/SSI Cluster	The PR Unit has performed random reviews of a percentage of the Vendor files. We will increase the number of random reviews to include a 100% review of Vendor files to ensure the Licensure verification and SAM checks are performed.	3/18/2020	Jama Holman-West
2019-079	#84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States	DRS will follow the recommendations to review current internal controls and policies and procedures to determine where the breakdown in controls occurred and make necessary improvements to ensure compliance with agency and Federal requirements pertaining to client service claims and to ensure appropriate documentation is maintained for the client files.  The new PM is being trained appropriately on direct client payments, requirements for receipts, documentation and review of cases. All counselors, including new counselors and current counselors, will receive on-going training on case documentation and requirements for direct client payments.	7/1/2020  7/1/2020	Mark Kinnison  Tracy Brigham

*Empowering Oklahomans with Disabilities*

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Executive Director Melinda Freundt  
Commissioners Emily Cheng, Wes Hilliard and Jace Wolfe



# OKLAHOMA TAX COMMISSION

STATE OF OKLAHOMA

**DIEDRA O'NEIL**  
Chief Administrative Officer

**2501 NORTH LINCOLN BOULEVARD**  
**OKLAHOMA CITY, OKLAHOMA 73194-0001**  
**(405) 522-1656**

## OKLAHOMA TAX COMMISSION STATE OF OKLAHOMA – SINGLE AUDIT

### CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) SFY 2019

<b>Finding Number</b>	<b>Subject Heading (Financial) or CFDA no. and program name (Federal)</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
19-695-023	CAFR – Taxes Receivable	The Tax Commission now understands the complete requirement of GAAP Package E-1 that was not previously outlined in the instructions for the package. The Commission will provide the specific fund to which the receivable was attributable in future submissions.	04/30/2020	Patricia Garcia
19-695-024	CAFR – Taxes Receivable	The Tax Commission will contact other Departments of Revenue to determine how other state governments are using the information available to determine taxes receivable. Using this information the Commission will develop and document a method to accurately and consistently implement for reporting.	04/30/2020	Patricia Garcia
19-695-026	CAFR – Taxes Receivable	The Tax Commission will contact other Departments of Revenue to determine how other state governments are using the information available to determine taxes receivable. Using this information the Commission will develop and document a method to accurately and consistently implement for reporting.	04/30/2020	Patricia Garcia
19-695-029	CAFR – Cash/Cash Equivalents	The Tax Commission now understands the complete requirement of GAAP Package S-1 that was not previously outlined in the instructions for the package. The Commission will provide the specific fund to which the cash/cash submissions are attributable in future submissions.	04/30/2020	Patricia Garcia

## **Summary Schedule of Prior Audit Findings**



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Office of Management and Enterprise Services  
Prior Year Finding Follow-up  
2019

**Reference Number:** 18-090-008

**Fund Type:** Governmental Activities & General Fund

**Status:** Corrected



TRENT H. BAGGETT  
Executive Coordinator

KATHRYN B. BREWER  
Assistant Executive Coordinator

STATE OF OKLAHOMA

**DISTRICT ATTORNEYS COUNCIL**

421 NW 13<sup>th</sup> Street, Suite 290 • Oklahoma City, Oklahoma 73103

EXECUTIVE 405-264-5000 FAX 405-264-5099	FINANCE 405-264-5004 405-264-5099	GRANTS 405-264-5008 405-264-5099	VICTIMS 405-264-5006 405-264-5097	IT 405-264-5002 405-264-5099	TRAINING 405-264-5000 405-264-5099	UVED 405-264-5010 405-264-5099
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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Finding No:** 2017-006  
**CFDA No:** 16.575  
**Program Name:** Crime Victims Assistance  
**Status:** Corrected

**Finding No:** 2017-022  
**CFDA No:** 16.575  
**Program Name:** Crime Victims Assistance  
**Status:** Corrected

**Finding No:** 2017-024  
**CFDA No:** 16.575  
**Program Name:** Crime Victims Assistance  
**Status:** Corrected

**Finding No:** 2017-027  
**CFDA No:** 16.575  
**Program Name:** Crime Victims Assistance  
**Status:** Corrected





OKLAHOMA STATE  
DEPARTMENT of EDUCATION

**CFDA No:** 84.010

**Finding No:** 2017-011, 2018-014

**Program Name:** Title I Grants to Local Educational Agencies (LEAs)

**Status:** Partially Corrected

2018-014 Assign a second reviewer to verify LEAs subject to the carryover requirements were adequately identified, and to verify excess carryover calculations.

After the report is generated and first reviewed by the Financial Analyst, the Director of Finance assists with the second review to identify calculation errors.

There is no official email that confirms the second review, however, moving forward the Office of Federal Programs will continue the second review process and will include a required email to verify the second review process was complete.

**CFDA No:** 84.010

**Finding No:** 2017-026, 2018-010

**Program Name:** Title I Grants to Local Educational Agencies (LEAs)

**Status:** Partially Corrected

The OSDE is committed to ensuring the highest quality data are being used to calculate the Oklahoma School Report Cards and the Adjusted Cohort Graduation Rate (ACGR). As such, the OSDE has developed automated processes to ensure the cleanliness and quality of the data to support valid and reliable interpretations. For the 2019 cohort (i.e., 2020 Oklahoma School Report Cards) and all future cohorts, the ACGR will be migrated from the WAVE to the Accountability Reporting system. (This will occur in the Accountability Reporting application [Single Sign-On], which is a separate reporting system from the WAVE.) Within this system, in order to remove the student from the cohort, the LEA will need to submit a request to OSDE for every student that is coded 02 (transferred out), 04 (emigrated), and 05 (passed away) and must include appropriate documentation. OSDE will approve/deny requests as warranted by the provided documentation and existing OSDE records. Any student who does not have appropriate documentation will remain in that school's cohort year as a non-graduate. Their exit status will be updated to one deemed most appropriate by OSDE (in most cases, this will be "03 - Dropout"). By transitioning to an automated auditing process, the OSDE will be able to monitor 100% of the students being removed from a cohort to ensure the graduation rates are an accurate reflection of Oklahoma's high schools. Additionally, the OSDE is producing and disseminating standardized policies and procedures to ensure the most accurate reporting as possible.

**CFDA No:** 84.010, 84.367

**Finding No:** 2017-035, 2018-030

**Program Name:** Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant

**Status:** Corrected

**CFDA No:** 84.010, 84.367

**Finding No:** 2017-038, 2018-015

**Program Name:** Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant

**Status:** Partially Corrected.

84.010 – Title I. In school year 2017-2018, a program specialist was assigned to create a district/site supplement not supplant methodology spreadsheet in order to document district state/local and federal expenditures. The designated program specialist left the Office of Federal Programs prior to completing the spreadsheet. The project was reassigned to a second reviewer who subsequently left for military duty. Currently, another program specialist is assigned to the project and has begun to recreate the spreadsheet and enter data.



OKLAHOMA STATE  
DEPARTMENT of EDUCATION

84.367 – Title IIA program specialist, is creating a spreadsheet to document the Local Educational Agencies state/local Title II expenditures to compare federal expenditures for the supplement not supplant requirement.

**CFDA No:** 84.010

**Finding No:** 2017-039, 2018-078

**Program Name:** Title I Grants to Local Educational Agencies (LEAs)

**Status:** Partially Corrected

The Office of Federal Programs has procedures in place to document the private school data indicators. To strengthen internal control procedures, an additional verification step will be added to include a review checklist to ensure a detailed crosscheck of data is verified.

**CFDA No:** 84.010, 84.367

**Finding No:** 2017-041, 2018-016

**Program Name:** Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant

**Status:** Corrected

**CFDA No:** 84.010, 84.367

**Finding No:** 2017-044, 2018-059

**Program Name:** Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant

**Status:** Corrected

**CFDA No:** 84.367

**Finding No:** 2017-053, 2018-080

**Program Name:** Supporting Effective Instruction State Grant

**Status:** Partially Corrected.

The Office of Federal Programs (OFP) has procedures in place to document services provided to private schools were performed and extenuating carryover funds return to the intended private school.

To strengthen internal control procedures, OFP will create a review checklist for the first reviewer and second reviewer to ensure services were provided and private schools that indicated extenuating circumstances receive those funds in the following fiscal year.

**CFDA No:** 84.010

**Finding No:** 2018-017

**Program Name:** Title I Grants to Local Educational Agencies (LEAs)

**Status:** Partially Corrected.

The Office of Federal Programs has developed procedures and created a control spreadsheet in alignment with the Fiscal, Non-Regulatory Guidance from USDE. The recurrence was due to an internal control process oversight.

Going forward, a second reviewer will verify the calculation process and any discrepancies will be resolved in the following fiscal year.

**CFDA No:** 84.010

**Finding No:** 2018-019

**Program Name:** Title I Grants to Local Educational Agencies (LEAs)

**Status:** Not corrected

The Office of Assessment will create a monitoring procedures manual for the 2020-2021 school year. This monitoring procedures manual will address all four of the above recommendation.



OKLAHOMA STATE  
DEPARTMENT *of* EDUCATION

**CFDA No:** 10.553, 10.555, 10.556, and 10.559

**Finding No:** 2018-033

**Program Name:** Child Nutrition Cluster

**Status:** Partially Corrected.

Due to the late notice in the school year that this information was to be maintained, we were not able to collect all the information and management was not able to implement procedures to review the consultant's performance of the AR that were required by the state auditors. Management's review procedures were performed that satisfied the USDA requirements. OSDE CN Management staff will perform a review of a sample of the field consultant ARs and documentation submitted upon completion of reviews conducted in SY 2019-2020.

**CFDA No:** 10.558

**Finding No:** 2018-034

**Program Name:** Child and Adult Care Food Program

**Status:** Partially Corrected.

Due to the late notice in the school year that this information was to be maintained we were not able to collect all the information and management was not able to implement procedures to review the consultant's performance of the AR that were required by the state auditors. Management's review procedures were performed that satisfied the USDA requirements. OSDE CN Management staff will perform a review of a sample of the field consultant ARs and documentation submitted upon completion of reviews conducted in FY 20.

**CFDA No:** 10.553, 10.555, 10.556, and 10.559

**Finding No:** 2018-036

**Program Name:** Child Nutrition Cluster

**Status:** Not Corrected.

This will be implemented for FY 21. OSDE has now been approved for a 5 year review cycle for NSLP/SBP and this will allow us to develop these risk areas and have the field staff implement them since they are conducting fewer school reviews during the year now.

**CFDA No:** 10.558

**Finding No:** 2018-037

**Program Name:** Child and Adult Care Food Program

**Status:** Partially Corrected.

The Office of Child Nutrition Programs conducts all reviews unannounced now. Child care center that were declared Seriously Deficient in the prior Fiscal Year receive another review the next fiscal year to ensure that corrective action implemented in the prior fiscal year was implemented, if the review has the same areas of noncompliance the center is immediately proposed for termination and disqualification from the program. Also, a report is going to be generated which will identify centers that claim the same number of meals for all meal types claimed and a follow - up visit or a claim validation review be conducted by a desk review to verify paperwork.



OKLAHOMA STATE  
DEPARTMENT *of* EDUCATION

**CFDA No:** 10.558

**Finding No:** 2018-038

**Program Name:** Child and Adult Care Food Program

**Status:** Partially Corrected.

Due to the timing of when the audit ended and when OSDE found out about this issue, we could not fully correct this. The audit log is updated on an annual basis to include the date of the end of the subrecipient's fiscal year. As of 1/31/19, notifications have been sent to all sub-recipients to send their audits ASAP. In addition, letters were created and sent to the subrecipient at the end of their fiscal year requesting supporting documentation in the form a "Summary of Federal Expenditures" to verify they did or did not receive \$750,000 in Federal funds. This letter also serves as the audit notification per 2 CFR 200 subpart (f): Failure to submit the organization audit by the due date will result in being declared Seriously Deficient as well as possibly being proposed for Termination and Disqualification. The audit log is updated to reflect all of the tracking for this requirement.

**CFDA No:** 84.367

**Finding No:** 2018-044

**Program Name:** Supporting Effective Instruction State Grant

**Status:** Corrected

**CFDA No:** 10.559

**Finding No:** 2018-048

**Program Name:** Child Nutrition Cluster

**Status:** Corrected



MARK GOWER

State Director

J. KEVIN STITT

Governor

STATE OF OKLAHOMA  
DEPARTMENT OF EMERGENCY MANAGEMENT

**CFDA No:** 97.036  
**Finding No:** 2015-024, 2016-003, 2017-028, 2018-011  
**Program Name:** Disaster Grants – Public Assistance  
**Status:** Corrected

**CFDA No:** 97.036  
**Finding No:** 2018-012  
**Program Name:** Disaster Grants – Public Assistance  
**Status:** Partially Corrected

The Oklahoma Department of Emergency Management (OEM) thanks you for the information regarding the Cash Management Improvement Act. OEM will formalize a procedure and set up the required loan program with OMES as allowed by State Title 62 Sec 34.55 Paragraph B in order to prevent interest events and to remain revenue neutral. Additionally, OEM now monitors all advances prior to closeout or before advancing additional funds. A formalized procedure outlining this process will be crafted and adopted no later than 05/01/2020.

**CFDA No:** 97.036  
**Finding No:** 2015-012, 2016-002, 2017-015, 2018-013  
**Program Name:** Disaster Grants – Public Assistance  
**Status:** Partially Corrected

OEM has adopted a subrecipient monitoring policy and completed the subrecipient risk assessment for 2020. This will ensure OEM monitors subrecipients in accordance with 2 CFR 200.331. Additionally, OEM now monitors all advances prior to closeout or before advancing additional funds. A formalized procedure outlining this process will be crafted and adopted no later than 05/01/2020. Finally, OEM obtained retroactive extensions for the projects that were found to be outside their period of performance.

**CFDA No:** 97.036  
**Finding No:** 2015-026, 2016-012, 2017-048, 2018-047  
**Program Name:** Disaster Grants – Public Assistance  
**Status:** Partially Corrected

OEM continues to develop OK EMGrants. When fully operational, this system has the ability to accurately generate 425 reports for all grants within the system. Currently, OEM is has implemented OK EMGrants for all disaster grants starting with DR-4247. OEM plans to add DR- 4222 to the system as well in the near future.

During this continued development phase, OEM plans to work with the State Auditor's Office to outline both a process and a timeline to transition to system generated reports. Additionally, FEMA has provided 425 reporting instructions to help with the development with the automated reporting and the current manual processing of reports.

OEM Finance wishes to have the opportunity to demonstrate the process of completing the FFCTR with representatives from the State Auditor's Office to possibly clear any misinformation.





MARK GOWER

State Director

J. KEVIN STITT

Governor

STATE OF OKLAHOMA  
DEPARTMENT OF EMERGENCY MANAGEMENT

**CFDA No:** 97.036

**Finding No:** 2018-057

**Program Name:** Disaster Grants – Public Assistance

**Status:** Partially Corrected

The Oklahoma Department of Emergency Management (OEM) thanks you for the information regarding correct procedures for running this query, reporting was corrected to reflect accurate totals. OEM will formalize a procedure for necessary controls to ensure accurate reporting of total federal expenditures no later than 5/1/2020, Agency Business Services (ABS) will be included in this process. Additionally, OEM will work with ABS for all GAAP reporting.

**CFDA No:** 97.036

**Finding No:** 2018-069

**Program Name:** Disaster Grants – Public Assistance

**Status:** Partially Corrected

OEM and ABS now have a process to reconcile Pathfinder contributions quarterly. This process will be documented into a formal procedure no later than 5/1/2020.



# Oklahoma Employment Security Commission



Robin Roberson, Executive Director

J. Kevin Stitt, Governor

**Representing Employers**

David Adams, Commissioner  
Karen Hudson, Commissioner

**Representing the Public**

David Reid, Chair

**Representing Employees**

Jim Quillen, Commissioner  
Trent Smith, Commissioner

**April 14, 2020**

**CFDA No: 17.225**

**Finding No: 2017-055, 2018-022**

**Program Name: Unemployment Insurance**

**Status: Not Corrected.** The Oklahoma Employment Security Commission has successfully completed the design, programming and implementation of a system that will ensure compliance with 40 O.S. § 2-613 (1) in assessing a 25% penalty applicable to fraud overpayments with 3/5 of the penalty amount collected being deposited into the Unemployment Trust Fund. This system was fully implemented effective 12/31/2019.

**CFDA No: 17.225**

**Finding No: 2018-060**

**Program Name: Unemployment Insurance**

**Status: Not Corrected.** The Oklahoma Employment Security Commission has reclassified the excess SFY2019 Pathfinder contributions from the account code 513300 for federal grant funds to the OESC revolving funds for penalty and interest. The finance comptroller will review the 513300 account each month and will create a journal entry that is approved by the CFO to reclassify any unallowable charges to the account. USDOL has reviewed this process and deemed in sufficient to correct this finding on October 18, 2019.



**Kevin Corbett** | Chief Executive Officer

**J. Kevin Stitt** | Governor

**CFDA No:** 93.767; 93.778

**Finding No:** 2016-004, 2017-002, 2018-008

**Federal Program Name:** Children's Health Insurance Program; Medicaid Cluster

**Status:** Corrected

**CFDA No:** 93.778

**Finding No:** 2016-008, 2017-004, 2018-023

**Federal Program Name:** Medicaid Cluster

**Status:** Partially Corrected. Outlined below are the steps Oklahoma Human Services' Social Service Specialist will be encouraged to follow during the Non-MAGI Medicaid eligibility determination/redetermination process:

- Monitor their County Worker Action (CWA) report weekly for pending applications and upcoming Medicaid redeterminations reviews.
- Review the Asset Verification System (AVS) and Case Notes steps via the on-line training tool QUEST Steps to Completing Annual Reviews <https://fsquest.oucpm.org/2017/programs/aged-blind-disabled/steps-to-completing-annual-reviews/>.
- Review the Notice List (NL) screen or DISC Image System following certification to ensure the Non-MAGI Medicaid recipients receive accurate eligibility notification.

OHS Adult Family Services Social Services Specialist will adhere to the steps above in order to ensure determinations/redeterminations of Non-MAGI Medicaid eligibility complies with applicable laws and regulations.

To ensure the operating effectiveness of these procedures, the Member Audit team at the Oklahoma Health Care Authority will conduct a post implementation audit and sample cases monthly for six months. The post implementation audit will include a minimum of 100 eligibility cases appropriate for each identified corrective action. The cases will be selected for the appropriateness to the identified issue. The Member Audit team will complete additional reviews as determined necessary to resolve insufficiencies. Additionally, the Member Audit team will evaluate new business processes and training materials.

**CFDA No:** 93.778

**Finding No:** 12-807-008, 2013-043, 2014-026, 2015-035, 2016-006, 2017-033, 2018-025

**Federal Program Name:** Medicaid Cluster

**Status:** Partially Corrected. OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. OHCA will also continue with annual spring and fall provider training to better educate our providers.



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mysoonerCare.org



**PHONE**

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Helpline: 800-987-7767





**Kevin Corbett** | Chief Executive Officer

**J. Kevin Stitt** | Governor

**CFDA No:** 93.767

**Finding No:** 12-807-006, 2013-044, 2014-025, 2015-036, 2016-007, 2017-034, 2018-026

**Federal Program Name:** Children's Health Insurance Program

**Status:** Partially Corrected. OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. OHCA will also continue with annual spring and fall provider training to better educate our providers. Regarding these specific findings, the improper payments will be recouped and the federal share returned to CMS.

**CFDA No:** 93.767; 93.778

**Finding No:** 2018-027

**Federal Program Name:** Children's Health Insurance Program; Medicaid Cluster

**Status:** Partially Corrected. To address monitoring of changes, above and beyond the process already in place, a monthly system report of changes to edits/audits will be made available to the Claims Resolution Supervisor in the Financial Resources Division at OHCA. Any changes reported will be reviewed in the MMIS by the supervisor or staff member to ensure that the change went through the proper approval process and there is supporting documentation.

**CFDA No:** 93.778

**Finding No:** 2018-054

**Federal Program Name:** Medicaid Cluster

**Status:** Partially Corrected. As of June 30, 2019 the Oklahoma Health Care Authority implemented written policies to ensure that violations of Medicaid laws and regulations by providers were identified and referred to the Office of the Oklahoma Attorney General.

The OHCA concurs internal controls over the reporting of MFCU recoveries need to be implemented. The restitutions amounts of \$55,508.62 and \$922,932.03 were included on the CMS-64 quarter ending 9-30-2019 report. Only the

MFCU investigative costs reimbursements transferred to the OHCA were not reported on the CMS-64. These amounts total \$73,167.83 total computable of which \$43,836.25 is the federal share.

The OHCA will request all MFCU correspondence related to recoveries not only be sent to the General Accounting Unit but the Financial Accountability and Compliance Unit as well. This will ensure the recoveries are reported on the CMS-64. The OHCA will also make the appropriate adjustments on the next CMS-64.

**CFDA No:** 93.767; 93.778

**Finding No:** 2018-073

**Federal Program Name:** Children's Health Insurance Program; Medicaid Cluster

**Status:** Corrected



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Oklahoma State Department of Health  
Creating a State of Health

**Summary of Prior Year Findings**

**Finding No:** 2017-058, 2017-059, 2018-001

**CFDA No:** 10.557; 93.505 and 93.870; 93.917

**Program Name:** Special Supplemental Nutrition Program for Women, Infants and Children (WIC); Maternal, Infant, and Early Childhood Home Visiting Cluster; HIV Care Formula Grant

**Status:** Not Corrected

OSDH will ensure appropriate review process for GAAP package Z with final approval for submission from Budget and Grants Management.

**Finding No:** 2018-002

**CFDA No:** 93.917

**Program Name:** HIV Care Formula Grant

**Status:** Corrected

**Finding No:** 2017-061, 2018-020

**CFDA No:** 93.505 and 93.870

**Program Name:** Maternal, Infant, and Early Childhood Home Visiting Cluster

**Status:** Corrected

**Finding No:** 2017-065, 2018-028

**CFDA No:** 93.505 and 93.870

**Program Name:** Maternal, Infant, and Early Childhood Home Visiting Cluster

**Status:** Not Corrected

The OSDH procurement staff currently maintains a log of sub-recipient contracts. This list is forwarded to the grants unit on a monthly basis. The grant unit reviews the document for inclusion on the SEFA report. The grants unit maintains a list of grants including the FAIN #. This list is now supplied to OSDH procurement who will review Federal Award Identifying Numbers (FAINs) for inclusion on the sub-recipient award documentation. The Procurement Division will hire sufficient employees or adjust monitoring workloads to ensure OSDH is able to adequately monitor sub-recipients in accordance with the CMP.

**Finding No:** 2017-062, 2018-003

**CFDA No:** 93.917

**Program Name:** HIV Care Formula Grant

**Status:** Not Corrected

During SFY 2019, OSDH established a separate class funds in the Statewide Accounting System for Ryan White program rebates in order to ensure compliance with Federal regulations. We have no further recommendations.

Board of Health

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Commissioner of Health

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Oklahoma State Department of Health  
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**Finding No:** 2018-066

**CFDA No:** 93.505 and 93.870

**Program Name:** Maternal, Infant, and Early Childhood Home Visiting Cluster

**Status:** Corrected

**Finding No:** 2018-071

**CFDA No:** 10.557

**Program Name:** Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

**Status:** Not Corrected

Procedures will be put in place to ensure Pathfinder excess contributions are not charged to Federal grants.

**Finding No:** 2016-046

**CFDA No:** 93.268

**Program Name:** Immunization Cooperative Agreements

**Status:** Corrected



**CFDA No:** 93.658

**Finding No:** 2017-050, 2018-052

**Program Name:** Foster Care – Title IV-E

**Status:** Not Corrected

1. All non-compliant agreements will be cancelled. New contracts will be written and executed for the appropriate sub-recipient agencies. These contracts will have language covering all required information.
2. DHS will develop and require quarterly performance reports to assess compliance with program requirements.
3. Establish procedures with OIG to ensure DHS receives and reviews a single audit or program audit from sub-recipients in compliance with 2 CFR 200.501.

**CFDA No:** 93.659

**Finding No:** 2017-051

**Program Name:** Adoption Assistance Program

**Status:** Not Corrected. The agency will continue to develop and implement a comprehensive adoption assistance funding document. This documentation between CWS and finance will evidence the annual pre and post adoption assistance expenditures, baseline funding sources identified by amount and source, expenditures of state adoption savings used to supplement (not supplant) existing federal and state funding, and ensure at least 30 percent of adoption savings are spent on post adoption and post guardianship services. Finance will conduct a review of this document prior to entry into the CB-496.

**CFDA No:** 93.558

**Finding No:** 2018-061

**Program Name:** TANF Cluster

**Status:** Corrected

**CFDA No:** 10.551

**Finding No:** 2018-067

**Program Name:** SNAP Cluster

**Status:** Not Corrected. Based upon the response for 2019-016 audit finding, the EPS State Office along with AFS leadership are working together to ensure all existing EBT Specialists review the EBT Handbook. EPS and AFS leadership will require all existing EBT Specialists to submit a validation of reviewing the handbook on an annual basis.

**CFDA No:** 93.563

**Finding No:** 2018-075

**Program Name:** Child Support Enforcement

**Status:** Corrected

**CFDA No:** 10.551, 10.561

**Finding No:** 2018-076

**Program Name:** SNAP Cluster

**Status:** Corrected

**CFDA No:** 93.658

**Finding No:** 2018-077

**Program Name:** Foster Care – Title IV-E

**Status:** Corrected

**CFDA No:** 93.778  
**Finding No:** 2018-079  
**Program Name:** Medicaid Cluster  
**Status:** Corrected

**CFDA No:** 93.568  
**Finding No:** 04-830-032, 05-830-012, 06-830-010, 08-830-012, 09-830-020, 09-830-031, 10-830-018, 11-830-007, 12-830-007, 12-830-008, 2013-020, 2013-022, 2014-030, 2015-004, 2016-041, 2017-008  
**Program Name:** Low Income Home Energy Assistance Program  
**Status:** Corrected

**CFDA No:** 93.568  
**Finding No:** 2017-009  
**Program Name:** Low Income Home Energy Assistance Program  
**Status:** Partially Corrected. From HHS guidance, this was implemented in the first quarter of the fiscal year.

**CFDA No:** 93.568  
**Finding No:** 04-830-019, 05-830-011, 06-830-011, 07-830-003, 08-830-012, 09-830-020, 10-830-024, 11-830-013, 12-830-010, 2013-040, 2014-022, 2015-010, 2016-026, 2017-023  
**Program Name:** Low Income Home Energy Assistance Program  
**Status:** Corrected

**CFDA No:** 93.558; 93.714  
**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  
**Program Name:** Temporary Assistance for Needy Families Cluster  
**Status:** Not Corrected. To address the untimeliness, the following process was implemented during the 3rd quarter of FY'19:

- County Staff is responsible for clearing data match discrepancies (G1DX messages) on a weekly basis.
- Supervisors must review their staff's G1DX messages every two weeks to ensure that messages are properly being cleared and case noted.
- All data match discrepancies must be cleared and case noted within 45 calendar days of receiving the G1DX message.
- Conduct Back to Basics Training to address G1DX discrepancies.



# OKLAHOMA TAX COMMISSION

STATE OF OKLAHOMA

**DIEDRA O'NEIL**  
Chief Administrative Officer

**2501 NORTH LINCOLN BOULEVARD**  
**OKLAHOMA CITY, OKLAHOMA 73194-0001**  
**(405) 522-1656**

**Reference Number:** 08-695-006

**Fund Type:** Governmental Activities

**Status:** Not Corrected

The Oklahoma Tax Commission computed Taxes and Fee Receivables and Accounts Receivable on the modified accrual basis, only including the payment received in July and August following the fiscal year.

The Commission is currently evaluating and defining the methodology based on historical payment data to accurately accrue Taxes and Fee Receivables and Accounts Receivable using the full accrual method. Delinquent payments and refunds for all major tax types are included in the analysis for both the government-wide and fiduciary funds. This, with the payments received in July and August, will most accurately reflect the appropriate estimate of Taxes and Fee Receivables.

April 24, 2020

**Finding No:** 2018-009

**CFDA No:** 20.205

**Program Name:** Highway Planning and Construction Cluster

**Status:** Corrected

**Finding No:** 2018-065

**CFDA No:** 20.205

**Program Name:** Highway Planning and Construction Cluster

**Status:** Partially Corrected. The risk assessment is in development.

O·K·L·A·H·O·M·A  
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STATE AUDITOR & INSPECTOR



**Cindy Byrd, CPA | State Auditor & Inspector**

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THE STATE OF  
**OKLAHOMA**

**CAFR 2019**

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2019





A herd of longhorns leaves the Oklahoma National Stockyards during the Stockyards Stampede in October.

## OKLAHOMA NATIONAL STOCKYARDS

Oklahoma City found its first major industry in livestock marketing when stockyards and meatpacking plants opened for business in the fall of 1910.

The first meatpacking titan to arrive in Oklahoma City was Thomas E. Wilson, the executive vice president of Nelson Morris Company. Wilson built the Oklahoma National Stockyards Company on 120 acres of land adjacent to downtown OKC and the North Canadian River, which led to other meatpacking companies moving to Oklahoma City. The area rapidly evolved into a market with more than 4,000 employees, 17 commission firms, a livestock exchange and a coliseum that held stock shows, rodeos and other agricultural events.

Cattle drives were the inaugural means of transporting livestock to the area before railroads took over. By the mid-1900s, both declined with the advent and popularity of automobiles. The stockyards' central location, near Historic Route 66 and U.S. Highway 77, enabled the stockyards to stay in business as farmers began hauling livestock to market via pickup trucks.

By the '50s, the Oklahoma National Stockyards was a major stocker and feeder cattle market, adding a cattle auction in 1961 and a hog auction in 1973. By the early '80s, as the bulk of Oklahoma's agriculture revenue shifted to livestock, the stockyards became the nation's leading cattle market, handling more than a million animals each year.

Although the 21st century introduced direct purchases and video sales of livestock, the Oklahoma National Stockyards is still going strong and has managed to outlive more than two dozen other large stockyards across the United States. Over 100 years after its founding, over 102 million head of livestock have passed through the stockyards' gates, with roughly half a million animals sold there every year.

# **OKLAHOMA 2019**

**Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2019**

J. Kevin Stitt  
Governor

Prepared by  
Office of Management and Enterprise Services

John Budd, Director  
Lynne Bajema, State Comptroller

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The Oklahoma Comprehensive Annual Financial Report is an annual publication of the Oklahoma Office of Management and Enterprise Services and is prepared by the Division of Central Accounting & Reporting.

Requests for additional copies, comments or questions may be directed to Stephanie Brown, Office of Management and Enterprise Services, 5005 North Lincoln Blvd., Suite 100, Oklahoma City, Oklahoma 73105.

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Top: Longhorns are gathered in a parking lot near the Oklahoma National Stockyards after a cattle drive in October during the Stockyards Stampede.

Left: Visitors to the Stockyards Stampede negotiate a hay bale maze.

Right: A cook stirs a large pot of beans to be served at lunch during the Stockyards Stampede.

Report photos by Ben Bigler, OMES Public Affairs.







December 29, 2019

To the Honorable J. Kevin Stitt, Governor  
Members of the Legislature, and  
Citizens of the State of Oklahoma

The Office of Management and Enterprise Services (OMES) is pleased to present the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the fiscal year ended June 30, 2019. This report is presented in three sections — introductory, financial and statistical — as the primary means of reporting the state government's financial activities. Its objectives are to provide a clear picture of the government as a single, unified entity and to provide traditional fund based financial statements. The CAFR has been prepared in conformity with relevant Governmental Accounting Standards Board statements.

The Introductory Section contains an overview of the state's economic performance, a review of current initiatives and summary financial data. The Financial Section contains Management's Discussion and Analysis, Government-wide Financial Statements and Fund Financial Statements for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. The Financial Section also includes the Notes to the Financial Statements, Required Supplementary Information and Other Supplementary Information. The Statistical Section contains selected financial and demographic information. Management's Discussion and Analysis contains complementary information, and readers are encouraged to review this section.

## PROFILE OF THE GOVERNMENT

Management of the state, through OMES, is responsible for the accuracy, fairness and completeness of the financial statements presented in this report. The statements are prepared in accordance with generally accepted accounting principles. To the best of our knowledge and belief, the information presented is accurate in all material respects and includes all disclosures necessary for an understanding of the state's financial position and activities. The governor and Legislature govern all funds and accounts for every executive agency, board, commission, public trust, authority, college and university whose data are presented in this report. The financial reporting entity, the State of Oklahoma, includes these funds, organizations, agencies, boards, commissions and authorities. In accordance with Governmental Accounting Standards Board Statement number 61, the state financial reporting entity includes 19 component units. There are six major component units, seven nonmajor component units, and six fiduciary component units. The major and nonmajor component units are discretely presented in the financial statements. The fiduciary component units are presented in the fiduciary fund and similar component units' financial statements, along with the other fiduciary activities of the state. The fiduciary activities are not included in the Government-wide Financial Statements because the resources of these funds are not available to support the state's own programs.

State finances are governed by rules designed to ensure sound, conservative management. The Legislature cannot appropriate more than 95 percent of the general revenue expected to be collected in the coming year. The state Board of Equalization, an independent board not subject to legislative control, establishes the legislative appropriation authority. Unlike many states that use seasonal borrowing to meet cash demands, Oklahoma maintains a cash flow reserve sufficient to meet fluctuating cash needs. General obligation indebtedness is prohibited without a vote of the people. When revenue receipts are less than estimated, the Director of the Office of Management and Enterprise Services is mandated by the Oklahoma Constitution to declare a revenue shortfall and reduce appropriations, as required, to allow appropriations to be covered by current year tax collections.

The state's financial statements are audited by the Office of the State Auditor and Inspector. The goal of the independent audit is to provide reasonable assurance that the financial statements of the state for the fiscal year ended June 30, 2019, are free of material misstatement. The audit is conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that, based upon the audit, there is a reasonable basis for rendering an unmodified opinion and that the State of Oklahoma's financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the Financial Section of this report.

### **Internal Controls**

Management of the State of Oklahoma is responsible for the establishment and maintenance of internal accounting controls designed to ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. Such internal controls require estimates and judgments from management so that, in attaining reasonable assurance as to the adequacy of such controls, the cost does not exceed the benefit obtained.

### **Budget and Fiscal Policy**

The budget process begins when each agency, other than the Legislature, that expends money through the state treasury submits an annual budget request to OMES. Copies are also provided to the legislative fiscal staffs. These requests are reviewed and analyzed for the governor by OMES. The governor then makes formal recommendations in the executive budget which is presented to the Legislature on the first day of the legislative session. During the legislative session, legislative committees review agency needs and recommend appropriation levels. Then the Legislature must approve all appropriation bills to fund agency operations for the next fiscal year. Appropriation bills provide for state appropriated funds and establish spending limits for state agencies. The governor can accept, reject or line-item veto particular legislative appropriations. Before encumbering or spending money in the fiscal year, each agency must submit a budget work program to OMES. The program outlines, by account, fund source and program category, how the agency plans to spend the available state, federal and revolving funds during the fiscal year. OMES must approve an agency's budget work program before agencies can encumber or spend available funds.

Oklahoma's Constitution restricts total appropriations to 95 percent of estimated general revenues. The Oklahoma State Board of Equalization is responsible for approving the official itemized estimate of revenues based upon information provided by OMES and the Oklahoma Tax Commission and sets the amount of legislative appropriations authority. The board is comprised of six elected officials and the president of the state Board of Agriculture. The six elected officials are the governor, the state auditor and inspector, the state treasurer, the lieutenant governor, the attorney general, and the superintendent of public instruction.

The constitution requires that collections in excess of the Oklahoma State Board of Equalization's itemized estimate of general revenue fund revenues be deposited to the Constitutional Reserve or "Rainy Day" Fund each year until the balance of the "Rainy Day" Fund equals 15 percent of the prior fiscal year's General Revenue Fund certified appropriations authority. In November 2004, Oklahoma voters enacted restrictions on the use of the "Rainy Day" Fund. Up to one-fourth of the July 1 balance each year may be appropriated upon an emergency declaration by the governor with concurrence of two-thirds of the House and Senate, or by a declaration of an emergency by the House of Representatives' speaker and Senate's president pro tempore with concurrence of three-fourths of the members of each legislative body. Up to three-eighths of the fund may be accessed if the Oklahoma State Board of Equalization is forecasting a decline in state revenues for the coming fiscal year and up to three-eighths may be utilized in the event of a current year revenue shortfall.

The state also has an oversight process for the issuance of debt. The Council on Bond Oversight is responsible for the review and approval of all debt issued by the state, its agencies and public trusts, and performs an assessment of all capital leases.

## Proprietary Operations

The state's proprietary operations are comprised of governmental agencies and quasi-governmental agencies providing goods or services to the public on a user charge basis. These activities are financed and operated in a manner similar to private business enterprises. They operate with the intent to recover the costs of operations from those directly benefiting from the goods or services. Some of the activities included in the state's proprietary operations are power generating plants, turnpikes, medical services, insurance, and financing services for both public and private entities.

## Capital Assets

These financial statements include the capital assets of the state. A discussion of capital assets accounting is included in the Management Discussion and Analysis that are part of the basic financial statements. More detailed information about capital assets can be found in the notes to the financial statements.

## ECONOMIC CONDITIONS AND OUTLOOK

Oklahoma's economy continued to grow over the first three quarters of 2019, even as lower oil and gas prices impacted state revenues in the first four months of the 2020 fiscal year. The state's labor force continues to grow, unemployment remains below the national rate, and nominal personal income is keeping pace with the nation. Oklahoma's gross domestic product (GDP) is strong, diversification efforts continue to reduce dependence on oil and natural gas revenues, and the state's debt burden is low.

Data from the United States (U.S.) Bureau of Labor Statistics and the Oklahoma Employment Security Commission reports that October 2019 job growth in Oklahoma was flat year-over-year, with an unemployment level of 3.3%. Oklahoma's unemployment rate is currently outperforming the national average of 3.6%. The state added more than 13,000 jobs through October 2019 year-to-date. Metropolitan areas grew at a more rapid pace compared to non-metro regions and were the primary job growth drivers for the state. For October 2019, Oklahoma City's unemployment rate stood at 2.9% and Tulsa's at 3.5%.

The *Oklahoma Economic Indicators* report published in October by the Oklahoma Employment Security Commission indicates that Oklahoma's personal income earnings are keeping pace with the nation and increased by 5% year-over-year, as the U.S. increased by 4.9%.

According to the most recent real GDP data released by the U.S. Bureau of Economic Analysis, Oklahoma's annualized GDP grew by 2.6% in the first quarter and 2.7% in the second quarter, while the U.S. economy grew 3.1% and 2%, respectively. Oklahoma ranked ninth in the nation for GDP growth through the second quarter of calendar year 2019.

In August, *Business Insider* ranked Oklahoma's 3.9% GDP growth as tied for sixth highest in the nation and as ninth highest for wage growth of 6.7%.

According to the October *Oklahoma Economist* publication of the Kansas City branch of the Federal Reserve, Oklahoma's global exports outpaced the U.S. by increasing 1.7% over the first three quarters of 2019.

The energy sector remains an important driver of the Oklahoma economy. After weathering a significant two-year downturn in energy prices, Oklahoma's economy continued to expand throughout 2018 and into the first half of 2019. The recent slump in energy prices, however, has caused growth to moderate and revenues to fall behind estimates for the beginning of the 2020 fiscal year.

According to the Baker Hughes Rig Count, as of November 22, 2019, 52 rigs were drilling in the state, a decrease of 92 rigs, or 63.9% from a year ago. During this same period, the U.S. rig count is down by 276 rigs, or 25.6%, and the number of rigs has declined 13 of the last 14 weeks. Although concerning and a trend to watch, it is important to note that energy production has remained somewhat steady to date. It is commonly reported that technology and drilling, as well as production improvements by the oil and gas industry, enable many companies to operate leaner without slashing production goals.

Current Energy Information Administration estimates expect spot prices for West Texas Intermediate crude oil to average \$60 a barrel in 2020. This is lower than the \$64 average in 2019, primarily because of expected rising global inventories. Henry Hub natural gas prices are forecast to average \$2.48/MMBtu in 2020, down 13 cents from the 2019 average.

The aerospace industry continues to be one of the most important contributors to Oklahoma's economy. Tinker Air Force Base is the world's largest military aircraft repair facility and the American Airlines maintenance base in Tulsa is the world's largest commercial aircraft repair facility. This year, Oklahoma has seen significant investment and growth in the aerospace sector. Governor J. Kevin Stitt commented, "Aerospace has a \$44 billion impact on our state, and we are working to further strengthen and grow this industry."

Tinker Air Force Base has been chosen to maintain the newest aircraft in the U.S. Air Force, the KC-46A Pegasus refueling and military transport aircraft. The base recently unveiled the new 156-acre maintenance campus that will add an estimated 1,300 new jobs at Tinker. Additionally, the aircraft will be used for training at Altus Air Force Base, reaching deeper into the Oklahoma economy and securing the prosperity of both bases for many years to come.

In April of 2019, the first Firejet tactical aerial drone was unveiled by Kratos at the security contractor's new Oklahoma City facility. The unmanned aerial target is designed to replicate enemy threat aircraft and cruise missiles to allow our military to train for defense against true targets. Another drone will also be produced at the Oklahoma City facility and the company anticipates hiring an additional 350 to 550 new positions over the next few years.

Also expanding aerospace activities in the Oklahoma City area, Pratt and Whitney announced in July 2019 that they will be making a multimillion-dollar investment to expand its Military Aftermarket Services in support of the Oklahoma City Air Logistics Complex based at Tinker Air Force Base. The expansion is expected to create about 100 new jobs.

Another company, Duncan Machine Products, is expanding into the aerospace sector after about 11 years of manufacturing oil field equipment. In November, Duncan Machine Products held a ribbon cutting and dedication for their new facility in Duncan set to bring new jobs to the area.

Over the first four months of 2019, Oklahoma's revenue collections reflected a modestly growing economy despite struggling energy markets. According to the *Oklahoma Economic Report* published by the State Treasurer, monthly gross receipts for October 2019 were \$1.1 billion, up by \$6.1 million, or 0.5%, from October 2018. Running 12-month gross receipts were \$13.7 billion, and all major revenue streams grew over the last 12 months. Individual income tax collections reflected continuing strong employment growth with receipts growing 6.4% in the past year.

Receipts to the General Revenue Fund are trending slightly positive over the first four months of fiscal year 2020. OMES reports collections to the fund to be \$19.7 million, or 1%, above the year-to-date estimate through October 2019, and \$89.4 million, or 4.5%, above prior year collections. For fiscal year 2020, increased revenues are anticipated, and target estimates are higher than actuals from the previous year – meaning that collections constantly above the prior year are not only expected but necessary just to meet current year state allocations.

Comparisons of treasury gross receipts include all collections received through the Oklahoma Tax Commission before refunds and rebates, and include taxes levied by cities and counties which are not state revenues. This report, according to the State Treasurer, is meant to reflect general state macro-economic activity and present snapshots in time to indicate rising or falling economic conditions. General Revenue Fund collections, as reported by OMES, and other state revenues funding the state budget do not correlate directly to gross receipts.

For this reason, Oklahoma state government, pursuant to the state Constitution, builds a 5% cushion into every appropriated state budget to reduce the risk of mandatory budget reductions if revenues fall below the 100% estimate. If collections to the General Revenue Fund are projected to fall more than 5% below the official estimate during any fiscal year, a revenue failure is declared, and mandatory appropriation reductions must occur to maintain a balanced budget.

Fiscal year 2019 collections to the General Revenue Fund totaled 5.5%, or \$354.6 million, above the 100% official estimate, resulting in the surplus being deposited to the Oklahoma Constitutional Reserve ("Rainy Day") Fund, bringing the reserve fund balance to just over \$806 million.

Additionally, spearheaded by leadership of Oklahoma's new governor, the Legislature, during the 2019 session, enacted measures to place \$200 million into the Oklahoma Revenue Stabilization Fund, building total emergency reserves to over \$1 billion for the first time in state history. The stabilization fund was created by the Legislature in 2016 to receive revenues

above calculated five-year averages from the volatile revenue sources of gross production and corporate income taxes and is expected to receive additional deposits at the end of fiscal year 2020.

In October 2019, Moody's Investors Service affirmed Oklahoma's Aa2 credit rating and revised the state's outlook from stable to positive. Moody's press release stated, "The positive outlook reflects our expectation that strong fiscal management and a commitment to increasing reserves will continue, in line with the state's goal of strengthening its preparedness for the next cyclical economic downturn. We also expect the state's debt and pension burden will continue to run well below the 50-state median."

Oklahoma carries a low tax-supported debt burden overall, with continued declining annual debt service payments. The state constitution requires voter approval of all state general obligation bonds with the stipulation that they be secured by a specific tax revenue stream. Currently, the state's only general obligation bonds of this type matured in July of 2018.

State pension plans recently reported excellent investment performance and continuing funding level improvements. Oklahoma has seven pension systems of which the Teachers' Retirement System (TRS) and the Oklahoma Public Employees Retirement System (OPERS) compose 80% of total pension fund assets. At the end of November, the Oklahoma State Pension Commission reported strong returns for fiscal year 2019. The funded ratio for TRS was reported at 72.4%. It is the largest state pension system, accounting for just over one-half of all pension assets. The second largest system, OPERS, holds nearly 30% of all assets and ended fiscal year 2019 with a funded ratio of 98.6%. Combined, all state systems currently have a funded ratio of just over 81%.

**Some other highlights of Oklahoma's economy include:**

- During the 2019 legislative session, state policymakers increased teachers' pay, as well as state employees' pay in Oklahoma for a second consecutive year.
- Amazon.com, Inc., officially opened its new robotics fulfillment center in August, accepting applications for approximately 1,500 new jobs in Oklahoma City. The positions pay between \$15 and \$17.80 per hour and offer health care on day one, up to 20 weeks of paid parental leave, a 401(k) and company stock awards. The company also announced plans to open a second Oklahoma facility in Tulsa sometime during the second quarter of 2020, creating an estimated 1,500 new full-time jobs and another 2,500 to 3,500 part-time, seasonal positions.
- Oklahoma-based American Fidelity Assurance (55) is among Fortune's 100 Best Companies to Work For in 2019.
- Five Oklahoma-based companies earned spots on the Fortune 500 List: NGL Energy Partners (179), Oneok (256), Devon Energy (297), Chesapeake Energy (309) and Williams (348).
- Three companies made it on the Forbes America's Largest Private Companies list: Love's Travel Stops and Country Stores (16), QuikTrip (29), and Hobby Lobby Stores (91).

Highlights of the fiscal year 2019 and fiscal year 2020 executive branch budgets include (expressed in millions):

	Amount Appropriated		Percentage of Total Appropriations		Increase (Decrease) from Prior Year		Percentage Increase (Decrease)	
	2019	2020	2019	2020	2019	2020	2019	2020
Department of Education	\$ 2,913	\$ 3,071	39%	39%	\$ 465	\$ 158	19%	5%
Regents for Higher Education	777	802	10%	10%	3	25	0%	3%
Career & Technical Education	124	143	2%	2%	11	19	10%	15%
Other Education	40	41	1%	1%	1	1	3%	3%
Total Education	<u>\$ 3,854</u>	<u>\$ 4,057</u>	<u>52%</u>	<u>52%</u>	<u>\$ 480</u>	<u>\$ 203</u>	<u>14%</u>	<u>5%</u>
Department of Health	\$ 55	\$ 61	1%	1%	\$ 2	\$ 6	4%	11%
Health Care Authority	1132	1,000	14%	13%	106	(132)	10%	(12%)
Department of Mental Health	337	351	4%	4%	9	14	3%	4%
Other Health	49	112	1%	1%	1	63	2%	129%
Total Health	<u>\$ 1,573</u>	<u>\$ 1,524</u>	<u>20%</u>	<u>19%</u>	<u>\$ 118</u>	<u>\$ (49)</u>	<u>8%</u>	<u>(3%)</u>
Department of Human Services	\$ 729	\$ 741	10%	10%	\$ 29	\$ 12	4%	2%
Office of Juvenile Affairs	93	97	1%	1%	1	4	1%	4%
Other Human Services	74	87	1%	1%	5	13	7%	18%
Total Human Services	<u>\$ 896</u>	<u>\$ 925</u>	<u>12%</u>	<u>12%</u>	<u>\$ 35</u>	<u>\$ 29</u>	<u>4%</u>	<u>3%</u>
Department of Corrections	\$ 517	\$ 556	7%	7%	\$ 31	\$ 39	6%	8%
Department of Transportation	166	169	2%	2%	11	3	7%	2%
Department of Public Safety	98	104	1%	1%	3	6	3%	6%
Other	441	583	6%	7%	19	142	5%	32%
Total	<u><u>\$ 7,545</u></u>	<u><u>\$ 7,918</u></u>	<u><u>100%</u></u>	<u><u>100%</u></u>	<u><u>\$ 697</u></u>	<u><u>\$ 373</u></u>	<u><u>10%</u></u>	<u><u>5%</u></u>

## FINANCIAL INFORMATION

### Governmental Functions

Most financial operations of the state are reported in governmental fund types, which are the general fund and the permanent funds. Following are schedules of revenues and expenditures for these governmental funds. Note that the following tables present data according to GAAP for the fiscal year ended June 30, 2019, while previous tables have presented budgetary data for this and later periods. Transfers are primarily from the general fund to support public institutions of higher education.

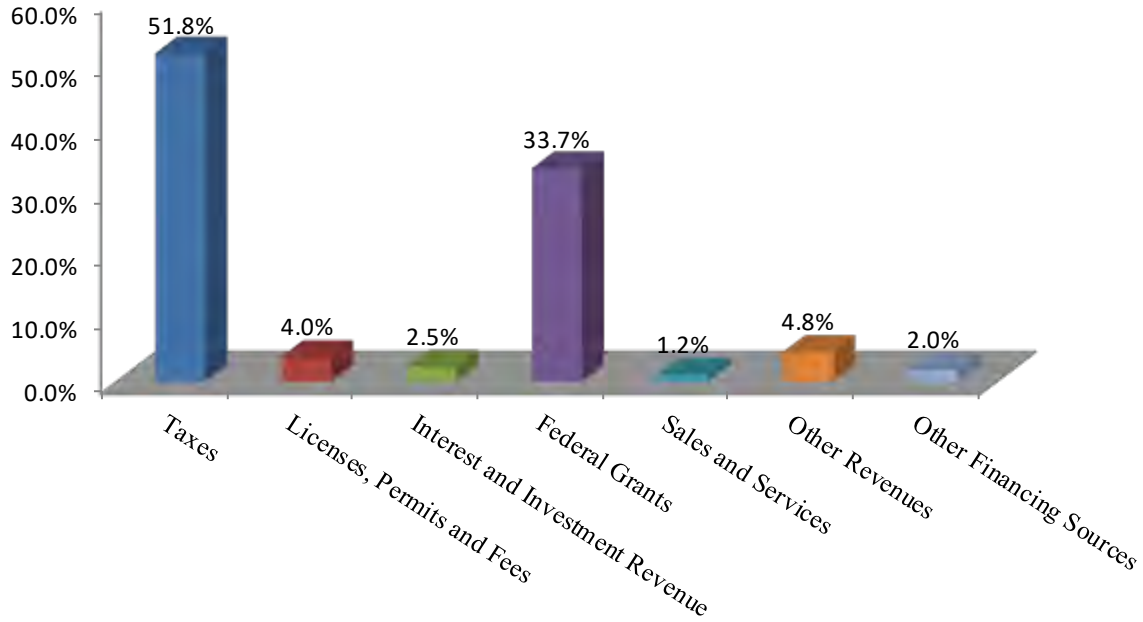
Governmental Funds: Revenues and Other Financing Sources - GAAP Basis  
(expressed in millions)

	2019 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Taxes	\$ 10,452	51.8%	\$ 921	9.7%
Licenses, permits and fees	809	4.0%	24	3.1%
Interest and investment revenue	497	2.5%	55	12.4%
Federal grants	6,811	33.7%	382	5.9%
Sales and services	237	1.2%	20	9.2%
Other revenues	977	4.8%	436	80.6%
Other financing sources:				
Transfers	91	0.5%	12	15.2%
Issuance of debt	268	1.3%	241	892.6%
Other	47	0.2%	(35)	(42.7%)
Total revenues and other financing sources	<u>\$ 20,189</u>	<u>100.0%</u>	<u>\$ 2,056</u>	11.3%

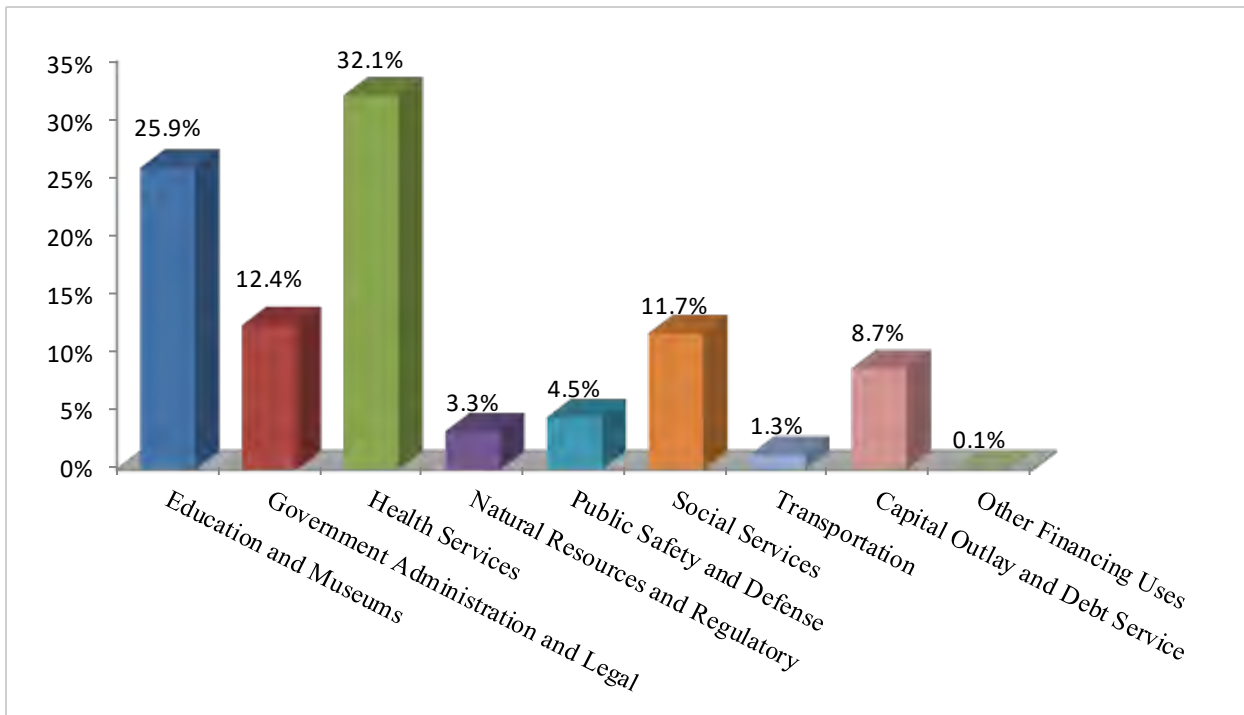
Governmental Funds: Expenditures and Other Financing Uses - GAAP Basis  
(expressed in millions)

	2019 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Education	\$ 4,799	25.8%	\$ 543	12.8%
Government administration	2,043	11.0%	332	19.4%
Health services	5,955	32.1%	336	6.0%
Legal and judiciary	263	1.4%	5	1.9%
Museums	13	0.1%	5	62.5%
Natural resources	449	2.4%	205	84.1%
Public safety and defense	833	4.5%	(5)	(0.6%)
Regulatory services	151	0.9%	31	25.9%
Social services	2,179	11.7%	43	2.0%
Transportation	233	1.3%	70	43.1%
Capital outlay	1,401	7.6%	(258)	(15.5%)
Debt service	210	1.1%	11	5.5%
Other Financing Uses:				
Transfers	23	0.1%	7	43.8%
Total expenditures and other financing uses	<u>\$ 18,552</u>	<u>100.0%</u>	<u>\$ 1,325</u>	7.7%
Governmental Funds - Net increase in fund balance	<u>\$ 1,637</u>			

**Governmental Fund Revenues and Other Financing Sources (GAAP Basis) – Fiscal Year 2019**



**Governmental Funds Expenditures and Other Financing Uses (GAAP Basis) – Fiscal Year 2019**





## Revenue Collections and Estimates

As noted in a preceding subsection, the budget is prepared using cash available plus 95 percent of the itemized revenue estimate as approved by the Oklahoma State Board of Equalization. It should be noted that taxes deposited into the budgetary General Revenue Fund, as defined by Oklahoma law, are approximately 75 percent of the total tax revenues of the governmental funds, as defined by GAAP. However, the budgetary General Revenue Fund should not be confused with the general fund as presented in the accompanying GAAP-basis financial statements, as the two terms are not interchangeable. For example, the GAAP-basis general fund includes revenues deposited to the state Transportation Fund, federal grant proceeds, revolving fund revenues, fees and charges as well as other money used in the general operations of government which are not considered in the Board of Equalization's estimates of tax revenues.

During 2018, the most recent data available, receipts all five major taxes were more than revenues of the prior year. The taxes combined for \$5.0 billion, or 117.7 percent of total receipts for the same categories in the prior year. The total of major taxes collected increased \$749 million or 17.7 percent from that of the previous year. As compared to fiscal year 2017, collections from income taxes increased by \$265 million, or 13.1 percent; sales taxes increased by \$286 million, or 15.5 percent; motor vehicle taxes increased \$3 million, or 1.3 percent; and gross production taxes on gas and oil increased by \$196 million, or 124.5 percent.

Oklahoma has established an enviable record in recent years for its revenue forecasting results. Since enactment of a constitutional amendment in 1985 establishing new revenue estimating procedures, collections have exceeded the estimate in 18 years and dipped below the estimate 15 years. The comparison of estimated revenues to actual collections for fiscal year 2018 is as follows:

	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
Individual and Corporate				
Income tax	\$ 2,000.5	\$ 2,276.6	\$ 276.1	113.8%
Sales tax	2,047.3	2,136.0	88.7	104.3%
Motor vehicle tax	220.4	215.6	(4.8)	97.8%
Gross production tax	373.4	353.4	(20.0)	94.6%
Subtotal Major Taxes	\$ 4,641.6	\$ 4,981.6	\$ 340.0	107.3%
Other sources	831.2	872.8	41.6	105.0%
Total	\$ 5,472.8	\$ 5,854.4	\$ 381.6	107.0%

The 15-year comparative history of estimated to actual collections is shown in the following table:

Budgetary General Revenue Fund Comparisons (expressed in millions)					
Fiscal Year	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected	
2004	\$ 4,396	\$ 4,613	\$ 217	104.9%	
2005	4,545	4,957	412	109.1%	
2006	5,149	5,715	566	111.0%	
2007	5,708	5,966	258	104.5%	
2008	5,845	5,981	136	102.3%	
2009	5,981	5,544	(437)	92.7%	
2010	5,415	4,622	(793)	85.4%	
2011	4,889	5,138	249	105.1%	
2012	5,236	5,564	328	106.3%	
2013	5,601	5,604	3	100.1%	
2014	5,889	5,627	(262)	95.6%	
2015	5,857	5,727	(130)	97.8%	
2016	5,746	5,205	(541)	90.6%	
2017	5,220	5,044	(176)	96.6%	
2018	5,473	5,854	381	107.0%	
Fifteen-Year Average	\$ 5,397	\$ 5,411	\$ 14	100.3%	

The status of three important fund balances affecting the new year’s fiscal picture is explained as follows:

**Cash-Flow Committed Fund** – Each year, 10 percent of the General Revenue Fund’s certified appropriation level is set aside to meet anticipated monthly cash flow needs for the new fiscal year. At the close of fiscal year 2019, the amount the state set aside was \$917.1 million.

**General Revenue Fund** – In fiscal year 2019, there were amendments to the budget that netted an additional \$264.1 million. Carried-over amounts from prior years of \$17.0 million were added to the budget compared to a \$39.4 million carry-over in fiscal year 2018. Carry-over funds reflect the difference between the 95 percent appropriation limit and actual receipts up to 100 percent of the estimate. Funds required to replenish or increase the cash-flow committed fund also come from this source. An additional \$99.6 million was added to fund a portion of the ad valorem reimbursement to schools. Oklahoma Health Care Authority was awarded an additional \$110.0 million to replace federal funding for the state sponsored medical schools. In addition, the Department of Transportation was given \$30.0 million in supplementary funding for improvements to roads and bridges.

**Constitutional Reserve “Rainy Day” Fund** - At the start of each fiscal year, collections that exceed the estimate for the preceding year are automatically deposited in the “Rainy Day” Fund until the total balance equals 15 percent of the prior year's certified collections for the General Revenue Fund. As a result of different triggers for making the funds available for use, any amounts deposited to the fund are split between unassigned and restricted fund balance. For the fiscal year beginning July 1, 2019, the restricted portion had a balance of \$604.7 million and the unassigned portion had a balance of \$201.6 million, giving the total Constitutional Reserve Fund a balance of \$806.3 million.

## FOR THE FUTURE

State government will focus on critical issues to ensure Oklahoma capitalizes on its potential for growth. Immediate goals will include continued efforts to grow and diversify the state's economy through growing new jobs and creating a more business friendly environment. The state will take steps to increase efficiencies, reducing the cost of recurring expenditures; create a more structurally balanced budget; build financial reserves and improve the state credit rating.

## CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Oklahoma for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.


In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State of Oklahoma has received the Certificate of Achievement for each year since 1996. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

## ACKNOWLEDGMENTS

OMES is pleased to recognize and commend the efforts of the numerous individuals across the state that made this CAFR possible. Questions or requests for additional information related to this report can be directed to our office at 405-521-2141.

Respectfully submitted,



John Budd  
Director



Lynne Bajema  
State Comptroller



Government Finance Officers Association

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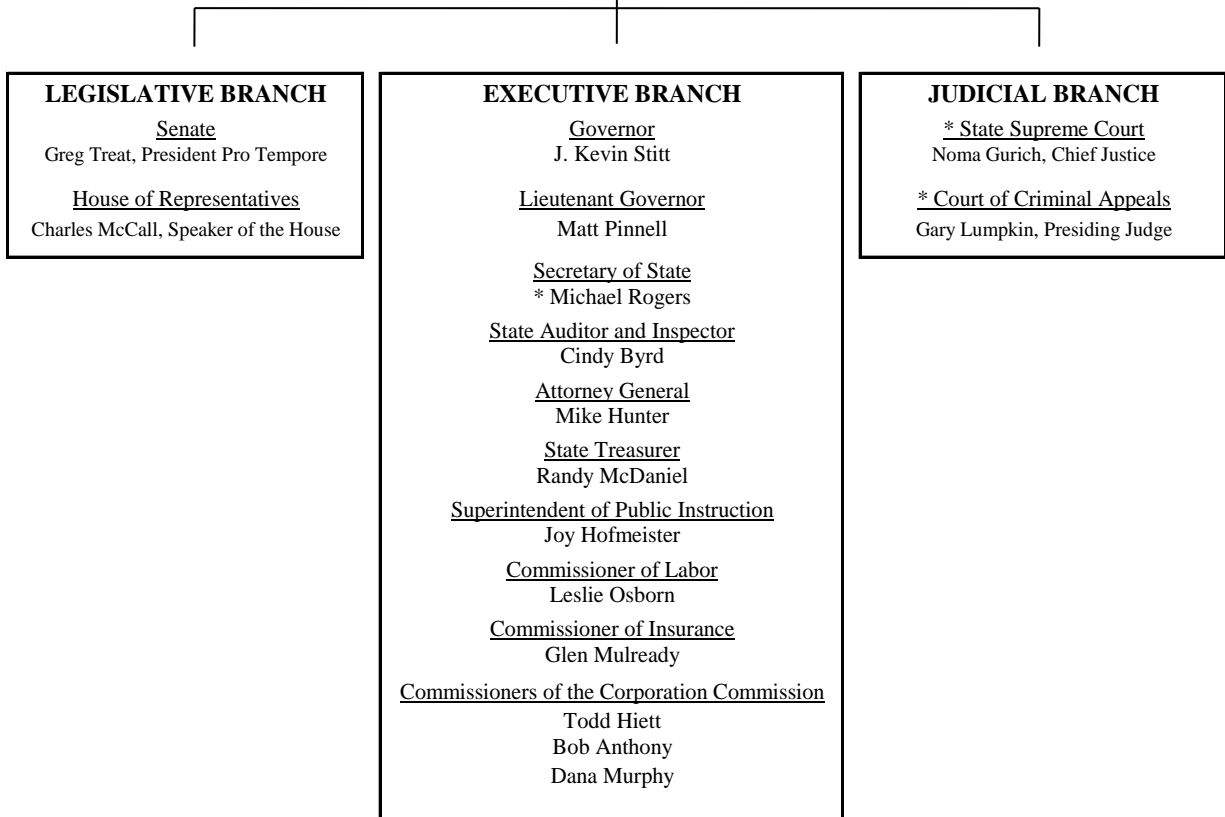
**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

# Selected Oklahoma State Officials

2019



\* Appointed to position

<b>CABINET DEPARTMENT SECRETARIES</b>
---------------------------------------

Agency Accountability	Energy & Environment	Science & Innovation
Agriculture	Health & Mental Health	State & Education
Budget	Human Services &	Tourism & Branding
Commerce &	Early Childhood Initiatives	Transportation
Workforce Development	Native American Affairs	Veterans Affairs
Digital Transformation	Public Safety	& Military
& Administration		

The cabinet secretaries are appointed by the governor with the approval of the Senate. Many of the secretaries are also heads of the executive branch agencies. State agencies are assigned to a cabinet department by the governor. The specific agency assignments to each cabinet are shown on the next page. Agency numbers are listed to the left of the agency name.

## State Agencies by Cabinet

305	Office of the Governor	783	Community Hospitals Authority		<u>Colleges and Universities:</u>
440	Office of the Lieutenant Governor	190	Cosmetology and Barbering Board	100	Cameron University
		215	Dentistry, Board of	108	Carl Albert State College
		285	Funeral Board	165	Connors State College
	<b><u>Agency Accountability</u></b>	807	Health Care Authority	230	East Central University
300	Auditor & Inspector *	340	Health, Department of	240	Eastern Oklahoma State College
90	Office of Mgmt. & Enterprise Services	509	Long-Term Care Admin., Bd. of Exam.	420	Langston University
		450	Medical Licensure & Supv., Bd. of	470	Murray State College
	<b><u>Agriculture</u></b>	452	Mental Health and Sub. Abuse Svc.	480	Northeastern Okla. A & M College
40	Agriculture, Department of	510	Nursing Board	485	Northeastern State University
39	Boll Weevil Eradication Org.	775	Oklahoma State Univ. Medical Auth.	490	Northern Oklahoma College
645	Conservation Commission	520	Optometry Board	505	Northwestern Oklahoma State Univ.
353	Horse Racing Commission	525	Osteopathic Examiners Board	530	Oklahoma Panhandle State Univ.
790	Veterinary Medical Examiners Board	343	Perfusionists, State Bd. of Examiners	10	Oklahoma State University
		560	Pharmacy Board	761	Oklahoma University Law Center
	<b><u>Commerce &amp; Workforce Dev.</u></b>	619	Physicians Manpower Trng. Comm	633	Oklahoma City Community College
20	Accountancy Board	140	Podiatric Medical Examiners, Bd. Of	770	Okla. University Health Science Ctr.
160	Commerce, Department of	575	Psychologists, Bd. of Examiners	773	OSU -College of Osteopathic Medicine
170	Construction Industries Bd.	632	Speech Pathology & Audiology Bd.	14	OSU -College of Veterinary Medicine
900	Development Finance Authority	92	Tobacco Settlement Endow. Trust Fund	11	OSU -Experiment Station
290	Employment Security Commission	825	University Hospitals Authority	12	OSU -Extension Division
922	Housing Finance Authority			13	OSU -School of Tech. Training
370	Industrial Finance Authority		<b><u>Human Svc &amp; Early Childhood Init</u></b>	15	OSU -Technical Institute of OKC
385	Insurance Department *	127	Children & Youth, Commission	16	OSU -Tulsa
405	Labor, Department of	326	Disability Concerns, Office of	771	OU Health Sci. Ctr. Prof. Prac. Plan
45	Licensed Architects, Board of Gov.	830	Human Services, Department of	241	Redlands Community College
475	Motor Vehicle Commission	670	J.D. McCarty Center	610	Regional University System of Ok
563	Private Vocational School, Board of	400	Juvenile Affairs, Office of	461	Rogers State University
570	Prof. Engin. & Land Surveyors Bd.	622	Licensed Social Workers, Board of	531	Rose State College
588	Real Estate Commission	805	Rehabilitation Services	606	University Center of Southern Ok
755	Prof. Engin. & Land Surveyors Bd.			623	Seminole State College
				660	Southeastern Oklahoma State Univ.
				665	Southwestern Oklahoma State Univ.
	<b><u>Digital Transformation &amp; Admin.</u></b>	361	Native American Cultural/Ed. Auth.	750	Tulsa Community College
22	Abstractor's Board			758	University Center at Ponca City
65	Banking Department		<b><u>Public Safety</u></b>	120	University of Central Oklahoma
91	Building Bonds Commission	30	Alcohol Beverage Laws Enforcement	760	University of Oklahoma
915	Capital Investment Board	772	Alcohol/Drug Influence, Bd. of Tests	761	University of Oklahoma Law School
635	Consumer Credit, Comm. for	49	Attorney General *	765	University of Oklahoma - Tulsa
296	Ethics Commission	131	Corrections Department of	150	Univ. of Science and Arts of Okla.
315	Firefighters Pension & Retirement	220	District Attorney's Council	41	Western Oklahoma State College
678	Judicial Complaints, Council on	309	Emergency Management, Dept. of		
416	Law Enforcement Retirement	47	Indigent Defense System		<b><u>Tourism and Branding</u></b>
435	Lottery Commission	308	Investigation, Bureau of	55	Arts Council
298	Merit Protection Commission	415	Law Enf. Educ. & Trng., Council on	350	Historical Society
557	Police Pension & Retirement System	342	Medicolegal Investigations, Bd. of	204	J.M. Davis Memorial Commission
515	Public Employees' Retirement System	477	Narcotics & Dang. Drugs, Bureau of	620	Qtz Mtn. Arts/Conf. Cntr/Nat. Pk.
630	Securities Commission	306	Pardon and Parole Board	566	Tourism & Recreation, Dept. of
675	Self-Insurance Guaranty Board	585	Public Safety, Department of		
695	Tax Commission	310	State Fire Marshal, Office of		<b><u>Transportation</u></b>
715	Teachers Retirement System			060	Aeronautics Commission
740	Treasurer *			978	Turnpike Authority
				345	Transportation, Department of
	<b><u>Energy and Environment</u></b>				
185	Corporation Commission *		<b><u>Science and Technology</u></b>		<b><u>Veterans Affairs &amp; Military</u></b>
359	Energy Resources Board	628	Center f/t Adv. of Sci. & Technology	650	Veterans Affairs, Department of
292	Dept. of Environmental Quality	346	Space Industry Development Auth.		
980	Grand River Dam Authority				
307	Interstate Oil Comp. Com.	800	<b><u>State and Education</u></b>		
445	LPG Board	605	Career & Technology Education		
125	Mines, Department of	265	Regents for Higher Education		
981	Municipal Power Authority	266	Education, Department of		
835	Water Resources Board	275	Educational Television Authority		
320	Wildlife Conservation, Dept. of	275	Educ. Qual. & Account., Comm. for		
		270	Election Board		
		410	Land Office, Commissioners of the		
	<b><u>Health and Mental Health</u></b>	430	Library Department		
44	Anatomical Board	391	Multiple Injury Trust Fund		
448	Alcohol and Drug Coun., Bd. of Lic.	629	School of Science & Mathematics		
148	Behavioral Health Lic., Board of	625	Secretary of State		
145	Chiropractic Examiners Board	618	Student Loan Authority		
		803	Virtual Charter School Board		
		865	Workers' Compensation Commission		

\* Agency is headed by a statewide elected official or their controlling board is made up of elected officials. They are assigned to a cabinet department for purposes of coordinating services and programs only.



Men talk on the walkway that leads to the auction arena of the Oklahoma National Stockyards.





## INDEPENDENT AUDITOR'S REPORT

### TO THE GOVERNOR AND MEMBERS OF THE LEGISLATURE OF THE STATE OF OKLAHOMA

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State of Oklahoma's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

- the financial statements of the Water Resources Board which represent fifty percent of the assets, thirty-two percent of the net position and five percent of the revenues of the proprietary funds;
- the financial statements of the Oklahoma Municipal Power Authority, Oklahoma Housing Finance Agency, Grand River Dam Authority, Oklahoma Turnpike Authority, University of Oklahoma, University of Oklahoma – Foundation, Oklahoma State University, Oklahoma State University – Foundation, the Regents for Higher Education, and University of Oklahoma – Health Sciences Center which in the aggregate represent eighty-two percent of the assets, eighty-six percent of the net position and seventy-three percent of the revenues for the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, and the Tobacco Settlement Endowment permanent fund, which in the aggregate represent ninety-eight percent of the assets, ninety-eight percent of the fund balance and ninety-nine percent of the revenues of the permanent funds;
- the financial statements of the Oklahoma Teachers Retirement System, the Oklahoma Public Employees Retirement System, and the Oklahoma Firefighters Pension and Retirement System which in the aggregate represent eighty-seven percent of the assets, eighty-eight percent of the net position and ninety-one percent of the additions of the aggregate remaining fund information;
- the financial statements of the Department of Commerce, and the Department of Wildlife, which in the aggregate represent one percent of the assets, one percent of the fund balance and one percent of the revenues of the general fund.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the above-mentioned entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the



Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matters*

As discussed in Note 1, the Multiple Injury Trust Fund (MITF) had a net deficit or negative net position of approximately \$485,782,000 at December 31, 2018 primarily due to court awards exceeding the apportionment of special tax revenue collected.

As discussed in Note 1, effective July 1, 2018 the State of Oklahoma has adopted the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*; and GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*.

Our opinion is not modified with respect to these matters.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule-Budget to Actual (Non-GAAP Budgetary Basis) General Fund, the Notes to Required Supplementary Information-Budgetary Reporting, the Pension Data Required by GASB 68, and the OPEB Data required by GASB 75 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Oklahoma's basic financial statements. The introductory section, combining financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2019, on our consideration of the State of Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Oklahoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Oklahoma's internal control over financial reporting and compliance.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

December 29, 2019

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Riders push cattle from the Oklahoma National Stockyards pens toward the auction arena.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Oklahoma provides this *Management's Discussion and Analysis* of the State of Oklahoma's Comprehensive Annual Financial Report (CAFR) for readers of the state's financial statements. This narrative overview and analysis of the financial activities of the State of Oklahoma is for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the additional information that is furnished in the Letter of Transmittal, which can be found preceding this narrative, and with the state's financial statements which follow.

### FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

#### Government-Wide Highlights:

*Net Position* - The assets plus deferred outflows of resources of the state exceeded its liabilities and deferred inflows of resources at fiscal year ending June 30, 2019 by \$22.2 billion (presented as "net position"). Of this amount, \$4.0 billion was reported as "unrestricted net position". Unrestricted net position represents the amount available to be used to meet the state's ongoing obligations to citizens and creditors.

*Changes in Net Position* - The state's total net position increased by \$2.1 billion (a 10.4% increase) in fiscal year 2019 after a 5.9% increase during the previous fiscal year. Net position of governmental activities increased by \$2.0 billion (a 10.9% increase), while net position of the business-type activities showed an increase of \$121.0 million (a 5.9% increase).

#### Fund Highlights:

*Governmental Funds - Fund Balances* - As of the close of fiscal year 2019, the state's governmental funds reported a combined ending fund balance of \$9.3 billion, an increase of \$1.6 billion in comparison with the prior year. Of this total amount, \$3.9 billion represents nonspendable fund balance, with \$106.7 million being in the General Fund. Amounts that can be spent include \$1.3 billion of restricted fund balance, \$3.8 billion of committed fund balance, \$61.6 million of assigned fund balance, and \$201.6 million of unassigned fund balance. The portion of fund balance which is available is roughly 29.1% of the total governmental expenditures for the year.

#### Long-term Debt:

The state's total long-term debt obligations showed a net increase of \$120.0 million (9.0%) in governmental type activities and a net increase of \$96.2 million (10.5%) in business type activities during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State of Oklahoma's Basic Financial Statements. The state's basic financial statements include three components: 1) *Government-Wide Financial Statements*, 2) *Fund Financial Statements*, and 3) *Notes to the Financial Statements*. This report also contains additional *Required Supplementary Information* (budgetary, pension and other postemployment benefit schedules) and *Other Supplementary Information* (Combining Financial Statements) in addition to the basic financial statements themselves. These components are described below:

#### Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the state – the *Government-Wide Financial Statements* and the *Fund Financial Statements and Combining Major Component Unit Financial Statements*. These financial statements also include the *Notes to the Financial Statements* that explain some of the information in the financial statements and provide more detail.

#### *Government-Wide Financial Statements*

The *Government-Wide Financial Statements* provide a broad view of the state's operations in a manner like a private-sector business. The statements provide both short-term and long-term information about the state's financial position, which assists in assessing the state's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This means they follow methods that are like

those used by most businesses. They consider all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The *Government-Wide Financial Statements* include two statements:

The *Statement of Net Position* presents all the government's assets and liabilities in addition to deferred inflows and outflows, with the difference between the four reported as "net position". Over time, increases or decreases in the state's net position may serve as a useful indicator of whether the financial position of the state is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the state.

Both above financial statements have separate sections for three different types of state programs or activities. These three types of activities are:

*Governmental Activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal grants). Most services normally associated with state government fall into this category, including education (support for both common public schools and higher education), government administration, health services, legal and judiciary services, museums, natural resources, public safety and defense, regulatory services, social services, and transportation.

*Business-Type Activities* – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the state include the operations of the Oklahoma Unemployment Insurance Trust Fund (by the Oklahoma Employment Security Commission), the state's program for making loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems (by the Oklahoma Water Resources Board), administering the insurance benefits for state employees and education workers (by the Employees Group Insurance Division of the Office of Management and Enterprise Services), and the Oklahoma Lottery Commission. These four programs operate with minimal assistance from the governmental activities of the state.

*Discretely Presented Component Units* – These are operations that have certain independent qualities but for which the state has financial accountability. For the most part, these entities operate like private-sector businesses and the business-type activities described above. The state's discretely presented component units are presented in two categories, major and nonmajor. This separation is determined by the relative size of the entities' assets, liabilities, revenues and expenses in relation to the total of all component units.

The state's six discretely presented major component units are:

- Oklahoma Student Loan Authority
- Oklahoma Housing Finance Agency
- Oklahoma Turnpike Authority
- Grand River Dam Authority
- Oklahoma Municipal Power Authority
- Higher Education Component Unit

The state's seven other (or nonmajor) component units are combined into a single column for reporting in the *Fund Financial Statements*. These nonmajor component units are:

- Oklahoma Educational Television Authority
- Oklahoma Industrial Finance Authority
- Multiple Injury Trust Fund
- University Hospitals Authority
- Oklahoma Development Finance Authority
- Oklahoma Capital Investment Board
- Oklahoma State University Medical Authority



Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the state's component units are presented in the *Notes to the Financial Statements*.

The *Government-Wide Financial Statements* can be found immediately following this discussion and analysis.

### ***Fund Financial Statements and Major Component Unit Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The state, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The *Fund Financial Statements* focus on individual parts of the state government, reporting the state's operations in more detail than the *Government-Wide Financial Statements*. All the funds of the state can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three categories of funds are:

*Governmental Funds Financial Statements* – Most of the basic services provided by the state are financed through governmental funds. Governmental funds are essentially used to account for the same functions as governmental activities in the *Government-Wide Financial Statements*. However, unlike the *Government-Wide Financial Statements*, the *Governmental Fund Financial Statements* focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This is known as using the flow of current financial resources measurement focus approach and the modified accrual basis of accounting. These statements provide a detailed short-term view of the state's finances that assist in determining whether there will be adequate financial resources available to meet the current needs of the state.

Because the focus of governmental funds is narrower than that of the *Government-Wide Financial Statements*, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the *Government-Wide Financial Statements*. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The *Governmental Fund Balance Sheet* and the *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances* both provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each *Governmental Fund Financial Statement*.

The state has four governmental funds. All four governmental funds are considered major funds for financial reporting purposes. These four major funds are – the General Fund, the Commissioners of the Land Office Permanent Fund, the Department of Wildlife Conservation Permanent Fund, and the Tobacco Settlement Endowment Permanent Fund. Each major fund is presented in a separate column in the *Governmental Fund Balance Sheet* and in the *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances*.

The basic *Governmental Funds Financial Statements* can be found immediately following the *Government-Wide Financial Statements*.

*Proprietary Funds Financial Statements* – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds provide the same type of information as the *Government-Wide Financial Statements*, only in more detail. Like the *Government-Wide Financial Statements*, *Proprietary Fund Financial Statements* use the accrual basis of accounting. There is no reconciliation needed between the *Government-Wide Financial Statements* for business-type activities and the *Proprietary Fund Financial Statements*.

The state has four enterprise funds, with all four being considered major proprietary funds for presentation purposes. As previously mentioned, they are the operations of the Oklahoma Unemployment Insurance Trust Fund (by the Oklahoma Employment Security Commission), the state's program for making loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems (by the Oklahoma Water Resources Board), the administration of insurance benefits for state employees by the Employees Group Insurance Division (EGID) of the Office of Management and Enterprise Services, and the Oklahoma Lottery Commission.

The basic *Proprietary Funds Financial Statements* can be found immediately following the *Governmental Fund Financial Statements*.

*Fiduciary Funds and Similar Component Unit Financial Statements* – These funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the *Government-Wide Financial Statements* because the resources of these funds are not available to support the state’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the accrual basis of accounting.

The state’s fiduciary funds are the Pension Trust Funds, seven separate retirement plans for employees, and the agency funds, which account for the assets held for distribution by the state as an agent for other governmental units, other organizations or individuals. Individual fund detail can be found in the *Combining Financial Statements* described below.

The basic *Fiduciary Funds and Similar Component Units’ Financial Statements* can be found immediately following the *Proprietary Fund Financial Statements*.

*Component Unit Financial Statements* – As mentioned above, these are operations for which the state has financial accountability, but they have certain independent qualities as well, and they operate similar to private-sector businesses. The *Government-Wide Financial Statements* present information for the component units in a single column of the *Statement of Net Position*. Also, some information on the *Statement of Activities* is aggregated for component units. The *Combining Statement of Net Position* and *Combining Statement of Activities* provide detail for each major component unit and the nonmajor component units in aggregate. Individual nonmajor component unit detail can be found in the *Combining Financial Statements* described below.

The basic *Combining Financial Statements* for major component units can be found immediately following the *Fiduciary Fund and Similar Component Unit’s Financial Statements*.

#### ***Notes to the Financial Statements***

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the *Government-Wide* and the *Fund Financial Statements*. The *Notes to the Financial Statements* can be found immediately following *Component Unit Financial Statements*.

#### **Required Supplementary Information**

The basic financial statements are followed by a section of *Required Supplementary Information*. This section includes the *Budgetary Comparison Schedule – Budget to Actual (Non-GAAP Budgetary Basis)*, which includes a schedule of reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the *Governmental Fund Financial Statements*. In addition, schedules required by GASB Statement number 68 (pension) and GASB Statement number 75 (other postemployment benefits) are presented.

#### ***Budgetary Detail***

The *Schedule of Expenditures and Intra-Agency Transfers – Detail Budget to Actual Comparison* is presented in this section. It provides detail comparisons of expenditures and intra-agency transfers at the legal level of control. Comparisons can be made between the original budget, final budget, and actual.

#### ***Pension Detail***

With the implementation of GASB Statement number 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement number 27*, certain information related to Net Pension Liability and funding of pension plans is reported in the *Required Supplementary Information* section.

#### ***Other Postemployment Benefits Detail***

With the implementation of GASB Statement number 75, *Accounting and Financial Reporting for Other Postemployment Benefits (OPEB)*, certain information related to Net OPEB Liability and funding of OPEB plans is reported in the *Required Supplementary Information* section.

## Combining Financial Statements

The *Combining Financial Statements* referred to earlier in connection with fiduciary funds and nonmajor component units are presented following the *Required Supplementary Information*. The total of the columns of these *Combining Financial Statements* carry to the applicable fund financial statement.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The state's combined net position (government and business-type activities) totaled \$22.2 billion at the end of 2019 compared to \$20.1 billion at the end of the previous year.

The largest portion of the state's net position (51.4%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related outstanding debt used to acquire those assets. The state uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the state's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### State of Oklahoma's Net Position-Primary Government

(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current Assets	\$ 7,107,886	\$ 5,486,387	\$ 1,943,697	\$ 1,827,487	\$ 9,051,583	\$ 7,313,874
Capital Assets	12,418,936	12,259,359	1,543	2,085	12,420,479	12,261,444
Other Assets	4,370,408	4,180,569	1,480,427	1,321,885	5,850,835	5,502,454
Total Assets	\$ 23,897,230	\$ 21,926,315	\$ 3,425,667	\$ 3,151,457	\$ 27,322,897	\$ 25,077,772
Deferred Outflows	\$ 363,927	\$ 521,219	\$ 1,092	\$ 2,902	\$ 365,019	\$ 524,121
Noncurrent Liabilities	\$ 1,950,076	\$ 2,078,470	\$ 957,288	\$ 870,906	\$ 2,907,364	\$ 2,949,376
Other Liabilities	2,131,620	2,194,008	297,368	232,203	2,428,988	2,426,211
Total Liabilities	\$ 4,081,696	\$ 4,272,478	\$ 1,254,656	\$ 1,103,109	\$ 5,336,352	\$ 5,375,587
Deferred Inflows	\$ 170,941	\$ 128,066	\$ 2,955	\$ 3,108	\$ 173,896	\$ 131,174
Net Investment in Capital Assets	\$ 11,401,782	\$ 11,365,332	\$ 1,543	\$ 2,085	\$ 11,403,325	\$ 11,367,417
Restricted	5,238,284	4,554,212	1,554,235	1,471,069	6,792,519	6,025,281
Unrestricted	3,368,454	2,127,446	613,370	574,988	3,981,824	2,702,434
Total Net Position	\$ 20,008,520	\$ 18,046,990	\$ 2,169,148	\$ 2,048,142	\$ 22,177,668	\$ 20,095,132

A portion of the state's net position (30.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the state's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

At the end of the current fiscal year, the state can report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

## Changes in Net Position

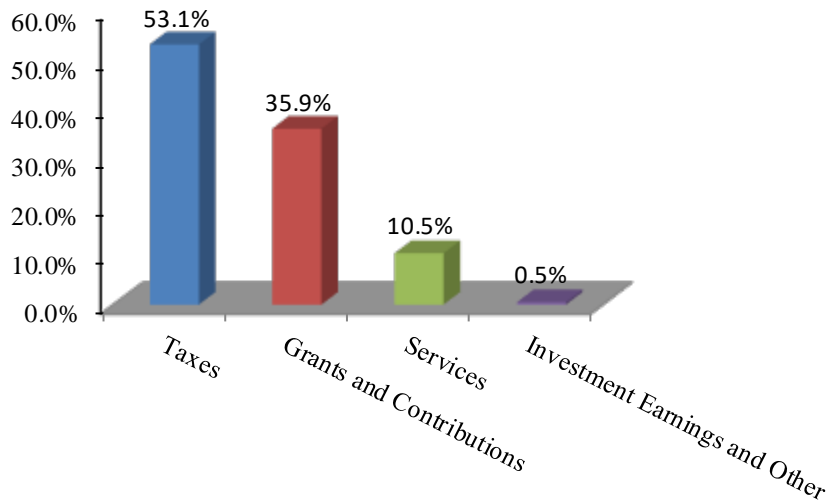
The state's governmental net position increased by \$2.1 billion, or 10.4%. Approximately 53.1% of the state's total revenue came from taxes, while 35.9% resulted from grants and contributions including federal aid. Charges for various goods, services and investments provided 11.0% of the total revenues. The state's expenses cover a range of services. The largest expenses were for health services, general education, government administration and social services. In 2019, governmental activity expenses exceeded program revenues, resulting in the use of \$8.8 billion in general revenues, mostly taxes. The business-type activities' program revenues exceeded their expenses for 2019 by \$188.6 million.

### State of Oklahoma's Changes in Net Position-Primary Government

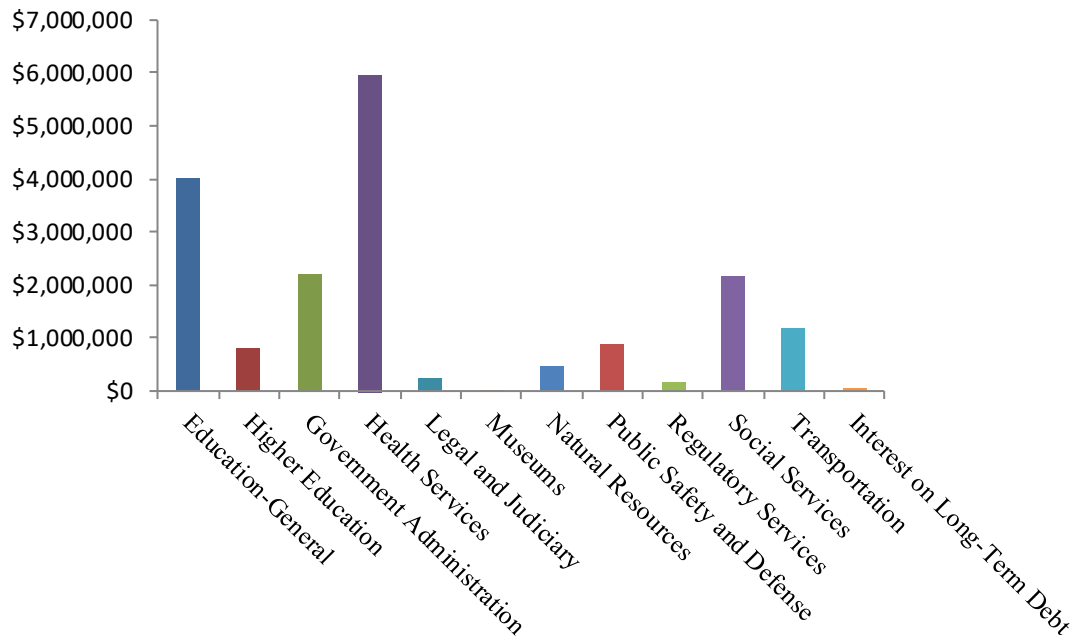
(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 2,095,547	\$ 1,745,063	\$ 1,702,757	\$ 1,637,696	\$ 3,798,304	\$ 3,382,759
Operating Grants and Contributions	7,152,628	6,681,680	16,137	15,620	7,168,765	6,697,300
General Revenues:						
Income Taxes-Individual	3,543,993	3,227,685	-	-	3,543,993	3,227,685
Income Taxes-Corporate	319,021	246,718	-	-	319,021	246,718
Sales Taxes	3,092,047	3,045,928	-	-	3,092,047	3,045,928
Gross Production Taxes	1,037,656	619,066	-	-	1,037,656	619,066
Motor Vehicle Taxes	887,074	889,623	-	-	887,074	889,623
Fuel Taxes	539,168	464,261	-	-	539,168	464,261
Other Taxes	1,131,875	1,036,845	-	-	1,131,875	1,036,845
Investment Earnings	97,978	58,075	-	-	97,978	58,075
Total Revenues	\$ 19,896,987	\$ 18,014,944	\$ 1,718,894	\$ 1,653,316	\$ 21,615,881	\$ 19,668,260
<b>Expenses:</b>						
Education-General	\$ 4,009,839	\$ 3,507,277	\$ -	\$ -	\$ 4,009,839	\$ 3,507,277
Education-Payments to Higher Education	790,651	761,036	-	-	790,651	761,036
Government Administration	2,193,051	2,109,640	-	-	2,193,051	2,109,640
Health Services	5,965,780	5,603,631	-	-	5,965,780	5,603,631
Legal and Judiciary	254,928	252,845	-	-	254,928	252,845
Museums	12,914	11,281	-	-	12,914	11,281
Natural Resources	457,332	281,016	-	-	457,332	281,016
Public Safety and Defense	885,374	886,189	-	-	885,374	886,189
Regulatory Services	152,337	115,590	-	-	152,337	115,590
Social Services	2,180,094	2,136,952	-	-	2,180,094	2,136,952
Transportation	1,096,785	1,104,502	-	-	1,096,785	1,104,502
Interest on Long-Term Debt	58,197	56,493	-	-	58,197	56,493
Unemployment Insurance Trust Fund	-	-	225,242	250,465	225,242	250,465
State Loan Program to Local Governments	-	-	41,106	37,489	41,106	37,489
Group Insurance Program	-	-	1,089,343	1,051,302	1,089,343	1,051,302
Lottery Commission	-	-	174,641	161,388	174,641	161,388
Total Expenses	\$ 18,057,282	\$ 16,826,452	\$ 1,530,332	\$ 1,500,644	\$ 19,587,614	\$ 18,327,096
Increase (Decrease) in Net Position Before Transfers and Contribution to Permanent Funds	\$ 1,839,705	\$ 1,188,492	\$ 188,562	\$ 152,672	\$ 2,028,267	\$ 1,341,164
Contribution to Permanent Funds	54,269	54,765	-	-	54,269	54,765
Transfers	67,556	63,001	(67,556)	(63,001)	-	-
Change in Net Position	\$ 1,961,530	\$ 1,306,258	\$ 121,006	\$ 89,671	\$ 2,082,536	\$ 1,395,929
Net Position, Beginning of Year	17,726,329	16,740,732	2,048,775	1,958,471	19,775,104	18,699,203
Adjustments to Beginning Net Position	320,661	-	(633)	-	320,028	-
Net Position, End of Year	\$ 20,008,520	\$ 18,046,990	\$ 2,169,148	\$ 2,048,142	\$ 22,177,668	\$ 20,095,132

**Revenues – Governmental Activities  
Fiscal Year 2019**



**Expenses – Governmental Activities  
Fiscal Year 2019**  
*(expressed in thousands)*



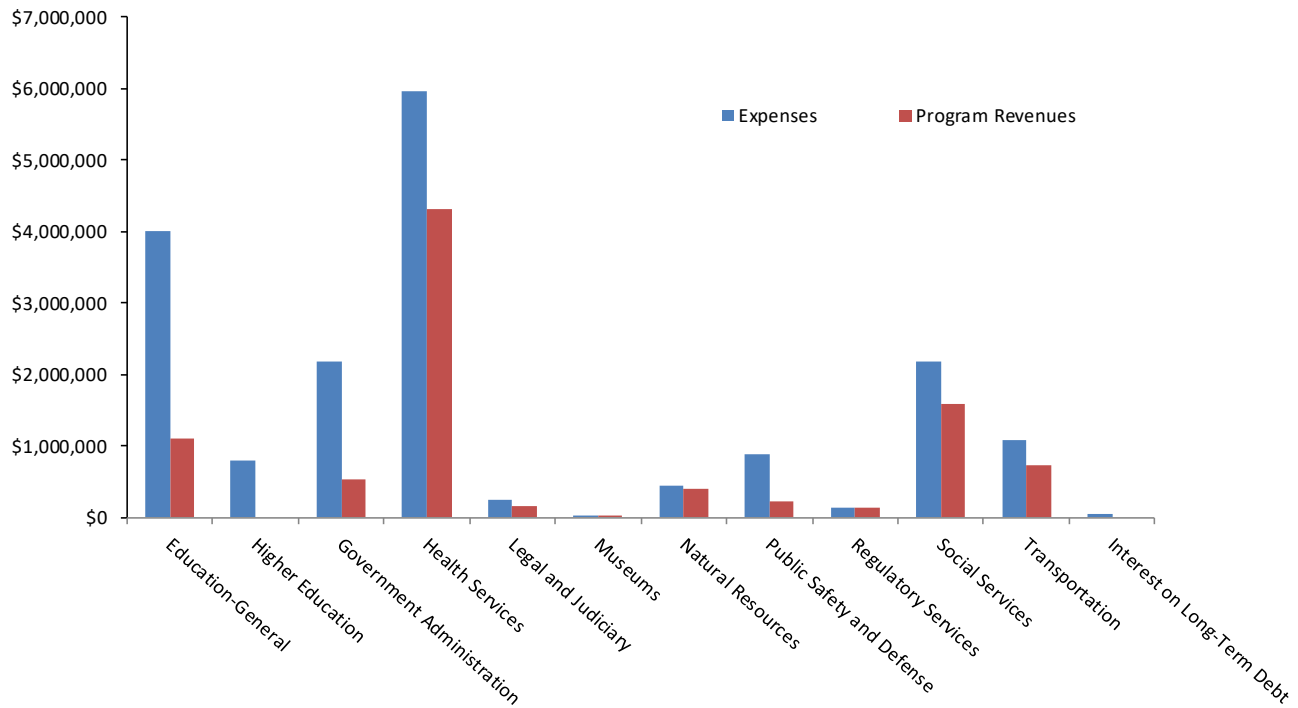
**Governmental Activities**

Governmental activities increased the state's net position by \$2.0 billion. Tax revenues were up in four of the five major types. Total revenues for governmental activities were up by \$2.2 billion, or 12.4%, in 2019. The state showed a \$312.9 million increase in individual income taxes, a \$19.2 million increase in sales taxes, a \$2.5 million decrease in motor vehicle taxes, a \$68.3 million increase in corporate income taxes, and a \$418.6 million increase in gross production taxes during 2019. Additionally, there was a \$470.9 million increase in federal grant revenue.

A comparison of the cost of services by function for the state’s governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities (expressed in thousands):

	<u>Governmental Activities</u>
<b>Expenses Net of Program Revenues:</b>	
Education-General	\$ (2,901,538)
Education-Payment to Higher Education	(790,651)
Government Administration	(1,645,581)
Health Services	(1,652,405)
Legal and Judiciary	(81,444)
Museums	(8,728)
Natural Resources	(53,276)
Public Safety and Defense	(660,925)
Regulatory Services	(1,687)
Social Services	(587,681)
Transportation	(366,994)
Interest on Long-Term Debt	(58,197)
Total Governmental Activities Expenses	<u>\$ (8,809,107)</u>
<b>General Revenues:</b>	
Taxes	\$ 10,550,834
Investment Earnings	97,978
Contributions to Permanent Funds	54,269
Transfers	67,556
Increase in Governmental Activities Net Position	<u>\$ 1,961,530</u>

**Expenses and Program Revenues – Governmental Activities**  
**Fiscal Year 2019**  
*(expressed in thousands)*



## **Business-Type Activities**

The business-type activities increased the state's net position by \$121.0 million, a 5.9% increase, to \$2.2 billion. This increase follows an increase of 4.6% in the prior year. The increase primarily resulted from a reduction in benefit payments, and claims submitted to the Oklahoma Unemployment Insurance Trust Fund (OUIF). The OUIF net position increased by \$72.5 million, the Oklahoma Water Resources Board's (OWRB) net position increased by \$37.8 million, EGID of OMES increased by \$10.3 million, and the Oklahoma Lottery Commission had an increase in net position of \$0.4 million.

## **FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS**

As noted earlier, the state uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the state's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the state's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the state's governmental funds reported combined ending fund balances of \$9.3 billion, an increase of \$1.6 billion from the prior year. The largest portion \$3.9 billion (41.9%) of this total amount constitutes nonspendable fund balance, which includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Additionally, \$1.3 billion (14.3%) of fund balance is classified as restricted, meaning that the funds can only be used for specific purposes defined by enabling legislation or externally imposed limitations. Amounts that can only be used for specific purposes pursuant to constraints of the government's highest level of decision-making authority are reported as committed fund balance. Committed fund balance represents \$3.8 billion (40.9%) of total fund balance. Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted, nor committed, are reported as assigned fund balance. Assigned fund balance represents \$61.6 million (0.7%) of total fund balance. The remaining funds that are not classified in any of the other four categories represent unassigned fund balance. For the fiscal year ended June 30, 2019, the state has \$201.6 million (2.2%) classified as unassigned fund balance.

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, the total fund balance increased \$1.5 billion to \$5.4 billion. This 37.4% increase is primarily related to improved tax collections and increases in operating grant revenue.

As a measure of the General Fund's liquidity, it may be useful to compare the portion of fund balance not classified as nonspendable (spendable) and total fund balance to total fund expenditures. Spendable fund balance represents 29.1% of total Governmental Fund expenditures, while total fund balance represents 50.1% of that same amount.

The Commissioners of the Land Office manages land and cash set aside by the federal government for the use and benefit of public education in Oklahoma to generate maximum earnings for trust beneficiaries. The trust beneficiaries are common education and thirteen Oklahoma colleges and universities. This year total program revenues were \$239.0 million compared to \$188.0 million for the prior year. Distributions to beneficiaries totaled \$129.0 million for fiscal year 2019 with \$31.2 million disbursed to universities and colleges and \$94.3 million disbursed to public schools, and \$3.5 million disbursed for public buildings. This was a decrease of \$404.9 thousand from the apportionments of fiscal year 2018.

The Department of Wildlife's Lifetime Licenses' fund balance increased by 2.6% to \$90.1 million. This increase occurred due to collections for licenses.

The Tobacco Settlement Endowment Permanent Fund holds certain monies that are received in settlement of claims by the state against tobacco manufacturers. Earnings from these monies are utilized for research, education, prevention and treatment of tobacco related diseases and certain other health programs. This fund reported \$71.2 million net increase in fund balance with \$52.3 million coming from the settlement payment by tobacco manufacturers for 2019. The prior year's payment was about \$53.7 million. The state now has \$1.3 billion in this permanent fund.

## **Proprietary Funds**

The state's *Proprietary Fund Financial Statements* provide the same type of information found in the *Government-Wide Financial Statements* for business-type activities. This information is presented on the same basis of accounting but provides more detail.

As discussed in the business-type activities section above, the state's net position increased by \$121.0 million as a result of operations in the proprietary funds. This resulted from a \$72.5 million increase in net position by OUITF, an increase in net position of \$37.8 million by OWRB's program for making loans to local government units for drinking and waste water facilities, an increase of \$10.3 million by EGID for insurance benefit administration, and an increase in net position of \$0.4 million by the Oklahoma Lottery Commission.

OUITF increased in net position primarily as a result of a decrease in benefit payments, and claims submitted to the OUITF.

OWRB increased net position by \$37.8 million which was \$22.7 million more than the \$15.1 million in the prior year. This was primarily due to an increase in non-operating federal grant revenues.

EGID increased net position by \$10.3 million, which was less than the \$32.1 million increase during the prior year. This was due to a net loss in investment income.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The differences between the original budget and the final amended budget amounted to \$264.1 million with \$17.0 million coming from budget carried over from prior years. To reimburse school districts for ad valorem tax shortfalls related to state property, the Department of Education was transferred \$99.6 million. Oklahoma Health Care Authority was awarded an additional \$110.0 million for graduate medical education to the state sponsored medical schools. In addition, the Department of Transportation was given \$30.0 million in supplementary funding for improvements to roads and bridges.

The difference between the final budget and the actual collections amounted to \$246.3 million less than the budget. This variance was caused by timing differences between assignment and disbursement of budget amendments.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The state's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$25.1 billion, less accumulated depreciation of \$12.6 billion, leaving a net book value of \$12.4 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the state's investment in capital assets for the current fiscal year was about 1.3% in terms of net book value. Actual expenditures to purchase or construct assets that are capitalized were \$868.2 million for the year, a \$33.5 million (3.7%) decrease from the prior year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$580.8 million. Additional information on the state's capital assets can be found in Note 5 of the *Notes to the Financial Statements* of this report.

### **Debt Administration**

The authority of the state to incur debt is described in Article X, Section 25, of the Oklahoma Constitution. In 1987, the state created the Council of Bond Oversight. The Council meets to review all proposed debt issuances. The Council must approve each financing plan before obligations are issued. The legislation that created the Council of Bond Oversight also created the position of State Bond Advisor, who advises the Council and must approve the pricing and fees associated with any debt issuance.

The State of Oklahoma's total debt increased by \$120.0 million, or 9.0%, during the current fiscal year. Business-type activities' debt increased by \$96.2 million or 10.5%.



Additional information on the state's long-term debt obligations can be found in Notes 9, 10, and 11 of the *Notes to the Financial Statements* of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Oklahoma unemployment rate was consistently lower than that for the nation between 1997 and 2018. The national unemployment rate is currently 3.6% while Oklahoma's is at 3.3% for the same time period.

Inflationary trends in the region continue to compare favorably to national indices.

These factors are considered by legislative leaders and management in preparing the state's budget for future years. (See below.)

### **Budget and Revenue Collections**

The State Constitution requires adoption of a balanced budget. The revenue certification provided by the State Board of Equalization is the basis for development of the state's General Revenue Fund (GRF) budget. The GRF is a budgetary cash account included in the state's General Fund.

If new laws or changes in existing laws are passed that affect revenues, the State Board of Equalization meets to certify the effects of these changes on the official estimate. Appropriations in any fiscal year may not exceed 95.0% of the official revenue estimate (plus any cash funds on-hand and available for appropriation).

If collections to a certified cash account are insufficient to cover the appropriations from that account, the Constitution requires that appropriations be reduced proportionately to all agencies receiving an appropriation from that source. OMES has the statutory duty to monitor revenue collections and, if warranted, to make reductions in appropriations to prevent deficit spending.

The Legislature may, in regular or special session, make selective reductions in spending or consider revenue increases.

### **Fiscal Year 2020**

General revenue collections have outpaced estimates over the first four months of the fiscal year. At the end of October 2019, fiscal year 2020 collections were \$19.7 million, or 1.0%, above the estimate, and \$89.4 million, or 4.5%, above prior year collections for the same period.

"Contributions to the GRF from income tax collections in the month of October, which were above the estimate offset the below estimate contributions of gross production taxes and sales taxes," said Director of the Office of Management and Enterprise Services John Budd. "While the year-to-date collections remain above the estimate, 1.0% is a slight margin and should remain our focus as fiscal year 2020 continues to unfold."

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the State of Oklahoma's finances for all of Oklahoma's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the state's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: State of Oklahoma, Office of Management and Enterprise Services, 5005 N. Lincoln, Suite 100, Oklahoma City, OK 73105 or [helpdesk@omes.ok.gov](mailto:helpdesk@omes.ok.gov).

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Workers move cattle through the brick-paved aisles of the Oklahoma National Stockyards.



# BASIC FINANCIAL STATEMENTS

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Buyers and sellers watch the action in the auction arena of the Oklahoma National Stockyards.



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State of Oklahoma  
Government-Wide Statement of Net Position  
June 30, 2019  
(expressed in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
<b>Current Assets</b>				
Cash/Cash Equivalents	\$ 5,461,876	\$ 1,401,096	\$ 6,862,972	\$ 1,903,587
Investments	49,557	226,325	275,882	1,310,928
Securities Lending Investments	214,889	0	214,889	0
Accounts Receivable	77,186	122,167	199,353	683,516
Interest and Investment Revenue Receivable	27,277	19,624	46,901	13,926
Federal Grants Receivable	522,862	754	523,616	13,275
Taxes Receivable	647,688	79,168	726,856	0
Leases Receivable	5,626	0	5,626	0
Leases Receivable - Component Units	9,925	0	9,925	0
Other Receivables	94	6	100	35,751
Notes Receivable	0	74,496	74,496	8,130
Internal Balances	4,285	(4,285)	0	6
Receivable from External Parties	73	0	73	1
Due from Component Units	653	0	653	12,739
Due from Primary Government	0	0	0	52,510
Inventory	83,225	0	83,225	107,056
Prepaid Items	1,076	0	1,076	15,805
Other Current Assets	1,594	24,346	25,940	31,742
<b>Total Current Assets</b>	<b>\$ 7,107,886</b>	<b>\$ 1,943,697</b>	<b>\$ 9,051,583</b>	<b>\$ 4,188,972</b>
<b>Noncurrent Assets</b>				
Cash/Cash Equivalents, Restricted	\$ 105,710	\$ 16,135	\$ 121,845	\$ 1,218,082
Short Term Investments, Restricted	3,788,725	0	3,788,725	2,636,441
Long Term Investments	0	12,585	12,585	1,830,284
Long Term Investments, Restricted	0	51,873	51,873	0
Leases Receivable	17,203	0	17,203	0
Leases Receivables Component Units	318,584	0	318,584	0
Long-Term Notes Receivable, Net	0	1,394,686	1,394,686	37,665
Net Pension Asset	44,646	0	44,646	0
Net OPEB Asset	10,653	43	10,696	16,251
Long-Term Due from Comp Units	54,402	0	54,402	0
Capital Assets-Depreciable, Net	10,297,113	1,543	10,298,656	8,174,459
Capital Assets-Land	1,894,003	0	1,894,003	528,771
Capital Assets-Construction in Progress	227,820	0	227,820	849,800
Other Noncurrent Assets	0	5,105	5,105	227,700
Other Noncurrent Assets-Restricted	30,485	0	30,485	314
<b>Total Noncurrent Assets</b>	<b>\$ 16,789,344</b>	<b>\$ 1,481,970</b>	<b>\$ 18,271,314</b>	<b>\$ 15,519,767</b>
<b>Total Assets</b>	<b>\$ 23,897,230</b>	<b>\$ 3,425,667</b>	<b>\$ 27,322,897</b>	<b>\$ 19,708,739</b>
<b>Deferred Outflows</b>				
Deferred Outflows from Pensions	\$ 329,819	\$ 1,031	\$ 330,850	\$ 372,971
Deferred Outflows from OPEB	33,688	61	33,749	32,051
Unamortized Loss on Bond Refundings	420	0	420	0
Lease Restructuring	0	0	0	2,612
Advance Refunding of Bonds	0	0	0	111,765
Defeasance of Bonds	0	0	0	35,581
Accumulated Decrease in Fair Value of Derivatives	0	0	0	2,835
Deferred Outflows from Asset Retirement Obligations	0	0	0	201
<b>Total Deferred Outflows</b>	<b>\$ 363,927</b>	<b>\$ 1,092</b>	<b>\$ 365,019</b>	<b>\$ 558,016</b>

The Notes to the Financial Statements are an integral part of this statement.



	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable and Accrued Liabilities	\$ 1,097,530	\$ 195,706	\$ 1,293,236	\$ 517,444
Unearned Revenue	83,299	1,289	84,588	196,233
Payable Under Securities Lending Agreements	214,889	0	214,889	0
Claims and Judgements	23,039	0	23,039	48,446
Interest Payable	30,049	10,307	40,356	78,714
Tax Refunds Payable	1,056	0	1,056	0
Payable to External Parties	85,164	1,380	86,544	741
Due to Component Units	53,794	6	53,800	12,599
Due to Primary Government	0	0	0	653
Due to Others	348,650	0	348,650	0
Capital Leases	466	0	466	50,413
Capital Leases-Primary Government	0	0	0	9,925
Compensated Absences	92,050	256	92,306	90,940
Notes Payable	2,145	0	2,145	33,595
Revenue Bonds (Net)	99,489	55,625	155,114	171,478
Other Current Liabilities	0	32,799	32,799	569,521
<b>Total Current Liabilities</b>	<b>\$ 2,131,620</b>	<b>\$ 297,368</b>	<b>\$ 2,428,988</b>	<b>\$ 1,780,702</b>
<b>Noncurrent Liabilities</b>				
Claims and Judgements	\$ 42,371	\$ 0	\$ 42,371	\$ 452,708
Due to Primary Government	0	0	0	54,402
Net Pension Liability	325,929	838	326,767	1,592,010
Capital Leases	0	0	0	764,265
Capital Leases-Primary Government	78	0	78	318,584
Compensated Absences	66,473	749	67,222	39,703
Notes Payable	59,360	0	59,360	96,646
General Obligation Bonds	0	0	0	30,000
Revenue Bonds (including Premiums)	1,291,542	946,790	2,238,332	5,473,512
Net OPEB Liability	164,323	493	164,816	557,516
Other Noncurrent Liabilities	0	8,418	8,418	158,350
<b>Total Noncurrent Liabilities</b>	<b>\$ 1,950,076</b>	<b>\$ 957,288</b>	<b>\$ 2,907,364</b>	<b>\$ 9,537,696</b>
<b>Total Liabilities</b>	<b>\$ 4,081,696</b>	<b>\$ 1,254,656</b>	<b>\$ 5,336,352</b>	<b>\$ 11,318,398</b>
<b>Deferred Inflows</b>				
Restructured Debt	\$ 0	\$ 2,329	\$ 2,329	\$ 9,722
Deferred Inflows from Pensions	139,878	499	140,377	275,087
Deferred Inflows from OPEB	31,063	127	31,190	61,425
Derivative Instruments	0	0	0	326
Accumulated Increase in Fair Value	0	0	0	733
Deferred Regulation Inflows	0	0	0	51,087
Service Concession Arrangements	0	0	0	25,347
<b>Total Deferred Inflows</b>	<b>\$ 170,941</b>	<b>\$ 2,955</b>	<b>\$ 173,896</b>	<b>\$ 423,727</b>
<b>Net Position</b>				
Net Investment in Capital Assets	\$ 11,401,782	\$ 1,543	\$ 11,403,325	\$ 4,054,137
Restricted for:				
Debt Service	583,318	325,360	908,678	355,167
Preservation of Wildlife	90,127	0	90,127	0
Lottery Benefits	0	10,980	10,980	0
Educational Systems	2,520,919	0	2,520,919	0
Unemployment Benefits	0	1,217,895	1,217,895	0
Stabilization	604,679	0	604,679	0
Federal Grant Programs	143,240	0	143,240	0
Tobacco Cessation and Public Health				
Nonexpendable	1,174,235	0	1,174,235	958,193
Expendable	121,766	0	121,766	3,024,360
Unrestricted	3,368,454	613,370	3,981,824	132,773
<b>Total Net Position</b>	<b>\$ 20,008,520</b>	<b>\$ 2,169,148</b>	<b>\$ 22,177,668</b>	<b>\$ 8,524,630</b>

The Notes to the Financial Statements are an integral part of this statement

State of Oklahoma  
Government-Wide Statement of Activities  
For the Fiscal Year Ended June 30, 2019  
(expressed in thousands)

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities	Total	
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
Education-General	\$ 4,009,839	\$ 111,002	\$ 997,299	\$ (2,901,538)		\$ (2,901,538)	
Education-Payment to Higher Education	790,651	0	0	(790,651)		(790,651)	
Government Administration	2,193,051	442,407	105,063	(1,645,581)		(1,645,581)	
Health Services	5,965,780	666,742	3,646,633	(1,652,405)		(1,652,405)	
Legal and Judiciary	254,928	135,135	38,349	(81,444)		(81,444)	
Museums	12,914	3,273	913	(8,728)		(8,728)	
Natural Resources	457,332	331,107	72,949	(53,276)		(53,276)	
Public Safety and Defense	885,374	110,459	113,990	(660,925)		(660,925)	
Regulatory Services	152,337	142,898	7,752	(1,687)		(1,687)	
Social Services	2,180,094	35,236	1,557,177	(587,681)		(587,681)	
Transportation	1,096,785	117,288	612,503	(366,994)		(366,994)	
Interest on Long-Term Debt	58,197	0	0	(58,197)		(58,197)	
Total Governmental Activities	\$ 18,057,282	\$ 2,095,547	\$ 7,152,628	\$ (8,809,107)		\$ (8,809,107)	
<b>Business-Type Activities</b>							
Employment Security Commission	\$ 225,242	\$ 285,617	\$ 12,100		\$ 72,475	\$ 72,475	
Water Resources Board	41,106	74,888	4,037		37,819	37,819	
Office of Management and Enterprise Services	1,089,343	1,099,660	0		10,317	10,317	
Lottery Commission	174,641	242,592	0		67,951	67,951	
Total Business-Type Activities	\$ 1,530,332	\$ 1,702,757	\$ 16,137		\$ 188,562	\$ 188,562	
Total Primary Government	\$ 19,587,614	\$ 3,798,304	\$ 7,168,765	\$ (8,809,107)	\$ 188,562	\$ (8,620,545)	
<b>Component Units:</b>							
Oklahoma Student Loan Authority	\$ 19,478	\$ 22,218	\$ 0				\$ 2,740
Oklahoma Housing Finance Agency	155,509	13,765	136,219				(5,525)
Oklahoma Turnpike Authority	233,790	342,507	0				108,717
Grand River Dam Authority	426,453	456,583	0				30,130
Oklahoma Municipal Power Authority	193,213	194,884	0				1,671
Higher Education	4,860,147	2,847,263	1,698,141				(314,743)
Nonmajor Component Units	518,261	382,354	19,012				(116,895)
Total Component Units	\$ 6,406,851	\$ 4,259,574	\$ 1,853,372				\$ (293,905)
<b>General Revenues</b>							
Taxes:							
Income Taxes-Individual				\$ 3,543,993	\$ 0	\$ 3,543,993	\$ 0
Income Taxes-Corporate				319,021	0	319,021	0
Sales Tax				3,092,047	0	3,092,047	0
Gross Production Taxes				1,037,656	0	1,037,656	0
Motor Vehicle Taxes				887,074	0	887,074	0
Fuel Taxes				539,168	0	539,168	0
Tobacco Taxes				360,894	0	360,894	0
Other Business Taxes				264,372	0	264,372	0
Insurance Taxes				176,198	0	176,198	0
Beverage Taxes				141,043	0	141,043	0
Other Taxes				189,368	0	189,368	0
Payments from Primary Government				0	0	0	879,123
Investment Earnings				97,978	0	97,978	0
Contributions to Permanent Funds				54,269	0	54,269	0
Transfers				67,556	(67,556)	0	0
Total General Revenues and Transfers				\$ 10,770,637	\$ (67,556)	\$ 10,703,081	\$ 879,123
Change in Net Position				\$ 1,961,530	\$ 121,006	\$ 2,082,536	\$ 585,218
<b>Net Position - Beginning of Year (as restated)</b>				18,046,990	2,048,142	20,095,132	7,939,412
<b>Net Position - End of Year</b>				\$ 20,008,520	\$ 2,169,148	\$ 22,177,668	\$ 8,524,630

The Notes to the Financial Statements are an integral part of this statement.



Cattle crowd the floor of the Oklahoma National Stockyards auction arena while the audience waits for bidding to begin.



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State of Oklahoma  
 Balance Sheet  
 Governmental Funds  
 June 30, 2019  
 (expressed in thousands)

	Permanent Funds				Total Governmental Funds
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
<b>Assets</b>					
Assets					
Cash/Cash Equivalents	\$ 5,433,981	\$ 94,464	\$ 5,075	\$ 34,066	\$ 5,567,586
Investments	49,557	2,428,650	84,956	1,275,119	3,838,282
Security Lending Investments	125,688	0	0	89,201	214,889
Accounts Receivable	77,186	0	0	0	77,186
Interest and Investment Revenue Receivable	27,277	12,735	0	3,901	43,913
Federal Grants Receivable	522,862	0	0	0	522,862
Taxes Receivable	647,688	0	0	0	647,688
Leases Receivable	22,829	0	0	0	22,829
Leases Receivable-Component Units	328,509	0	0	0	328,509
Other Receivables	94	13,295	0	554	13,943
Due from Other Funds	4,374	0	89	0	4,463
Due from Fiduciary Funds	73	0	0	0	73
Due from Component Units	653	0	0	0	653
Due From Component Units-Noncurrent	54,402	0	0	0	54,402
Inventory	83,225	0	0	0	83,225
Prepaid Items	1,076	0	0	0	1,076
Other Assets	1,397	190	7	0	1,594
<b>Total Assets</b>	<b>\$ 7,380,871</b>	<b>\$ 2,549,334</b>	<b>\$ 90,127</b>	<b>\$ 1,402,841</b>	<b>\$ 11,423,173</b>
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	\$ 1,061,789	\$ 20,933	\$ 0	\$ 14,808	\$ 1,097,530
Payable Under Securities					
Lending Agreements	125,688	0	0	89,201	214,889
Unearned Revenue	83,299	0	0	0	83,299
Tax Refunds Payable	1,056	0	0	0	1,056
Due to Other Funds	163	0	0	46	209
Due to Fiduciary Funds	85,164	0	0	0	85,164
Due to Component Units	51,009	0	0	2,785	53,794
Due to Others	348,650	0	0	0	348,650
<b>Total Liabilities</b>	<b>\$ 1,756,818</b>	<b>\$ 20,933</b>	<b>\$ 0</b>	<b>\$ 106,840</b>	<b>\$ 1,884,591</b>
<b>Deferred Inflows</b>					
Unavailable Revenue	\$ 248,602	\$ 7,482	\$ 0	\$ 0	\$ 256,084
<b>Total Deferred Inflows</b>	<b>\$ 248,602</b>	<b>\$ 7,482</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 256,084</b>
<b>Fund Balances</b>					
Nonspendable	\$ 106,736	\$ 2,520,919	\$ 90,127	\$ 1,174,235	\$ 3,892,017
Restricted	1,331,237	0	0	0	1,331,237
Committed	3,735,918	0	0	60,210	3,796,128
Assigned	0	0	0	61,556	61,556
Unassigned	201,560	0	0	0	201,560
<b>Total Fund Balances</b>	<b>\$ 5,375,451</b>	<b>\$ 2,520,919</b>	<b>\$ 90,127</b>	<b>\$ 1,296,001</b>	<b>\$ 9,282,498</b>

The Notes to the Financial Statements are an integral part of this statement.

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

**Total Fund Balance - Governmental Funds** \$ 9,282,498

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$ 1,894,003	
Buildings and Improvements	1,682,760	
Equipment	572,264	
Infrastructure	20,680,593	
Construction in Progress	227,820	
Accumulated Depreciation	<u>(12,638,504)</u>	
		12,418,936

Some of the state's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are considered to be unearned. 256,084

The state's portion of the net pension asset (\$44,646), net pension liability (\$325,929), deferred inflows (\$139,878), and deferred outflows (\$329,819) as determined by the actuarial calculations of the pension systems created by statute. (91,342)

The state's portion of the net other postemployment benefit asset (\$10,653), net other postemployment benefit liability (\$164,323), deferred inflows (\$31,063), and deferred outflows (\$33,688) as determined by the actuarial calculations of the pension systems created by statute. (151,045)

Certain bonds issued by the state are for the purpose of refunding older bond issues. Some bonds that are refunded are done so at a loss to the state. These losses are costs in the funds, but are amortized over the life of the refunding bonds on the statement of net position. 420

Timing differences caused by the component units with alternative year end dates resulted in differences in due to/from other funds. 31

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Notes Payable	\$ (61,505)	
Revenue Bonds	(1,283,614)	
Capital Leases and Certificates of Participation	(544)	
Bond Issue Premiums	(107,417)	
Accrued Interest on Bonds	(30,049)	
Compensated Absences	(158,523)	
Claims and Judgments	<u>(65,410)</u>	
		(1,707,062)

**Net Position of Governmental Activities** \$ 20,008,520

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2019  
(expressed in thousands)

	Permanent Funds				Total Governmental Funds
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
<b>Revenues</b>					
Taxes					
Income Taxes-Individual	\$ 3,469,633	\$ 0	\$ 0	\$ 0	\$ 3,469,633
Sales Tax	3,076,488	0	0	0	3,076,488
Gross Production Tax	1,037,656	0	0	0	1,037,656
Income Taxes-Corporate	312,862	0	0	0	312,862
Motor Vehicle Taxes	887,074	0	0	0	887,074
Fuel Taxes	539,150	0	0	0	539,150
Tobacco Taxes	360,886	0	0	0	360,886
Other Business Taxes	264,372	0	0	0	264,372
Insurance Taxes	176,198	0	0	0	176,198
Beverage Taxes	139,737	0	0	0	139,737
Other Taxes	188,842	0	0	0	188,842
Licenses, Permits and Fees	806,433	0	2,272	0	808,705
Interest and Investment Revenue	185,254	240,927	0	70,670	496,851
Federal Grants	6,811,030	0	0	0	6,811,030
Sales and Services	236,892	0	0	0	236,892
Other Grants and Reimbursements	550,333	0	0	0	550,333
Fines and Penalties	60,391	0	0	0	60,391
Other	314,647	(1,927)	0	54,269	366,989
<b>Total Revenues</b>	<b>\$ 19,417,878</b>	<b>\$ 239,000</b>	<b>\$ 2,272</b>	<b>\$ 124,939</b>	<b>\$ 19,784,089</b>
<b>Expenditures</b>					
Education	\$ 4,667,479	\$ 131,667	\$ 0	\$ 0	\$ 4,799,146
Government Administration	2,001,609	0	0	41,512	2,043,121
Health Services	5,954,945	0	0	0	5,954,945
Legal and Judiciary	263,275	0	0	0	263,275
Museums	12,553	0	0	0	12,553
Natural Resources	449,324	0	0	0	449,324
Public Safety and Defense	833,423	0	0	0	833,423
Regulatory Services	150,625	0	0	0	150,625
Social Services	2,179,379	0	0	0	2,179,379
Transportation	233,357	0	0	0	233,357
Capital Outlay	1,388,291	0	0	12,236	1,400,527
Debt Service					
Principal Retirement	157,460	0	0	0	157,460
Interest and Fiscal Charges	53,036	0	0	0	53,036
<b>Total Expenditures</b>	<b>\$ 18,344,756</b>	<b>\$ 131,667</b>	<b>\$ 0</b>	<b>\$ 53,748</b>	<b>\$ 18,530,171</b>
Revenues in Excess of (Less Than) Expenditures	\$ 1,073,122	\$ 107,333	\$ 2,272	\$ 71,191	\$ 1,253,918
<b>Other Financing Sources (Uses)</b>					
Transfers In	\$ 86,093	\$ 4,798	\$ 0	\$ 0	\$ 90,891
Transfers Out	(12,150)	(11,185)	0	0	(23,335)
Bonds Issued	268,105	0	0	0	268,105
Bond Issue Premiums	23,381	0	0	0	23,381
Sale of Capital Assets	23,870	0	0	0	23,870
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 389,299</b>	<b>\$ (6,387)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 382,912</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,462,421</b>	<b>\$ 100,946</b>	<b>\$ 2,272</b>	<b>\$ 71,191</b>	<b>\$ 1,636,830</b>
<b>Fund Balances - Beginning of Year (as restated)</b>	<b>3,913,030</b>	<b>2,419,973</b>	<b>87,855</b>	<b>1,224,810</b>	<b>7,645,668</b>
<b>Fund Balances - End of Year</b>	<b>\$ 5,375,451</b>	<b>\$ 2,520,919</b>	<b>\$ 90,127</b>	<b>\$ 1,296,001</b>	<b>\$ 9,282,498</b>

The Notes to the Financial Statements are an integral part of this statement.



## Reconciliation of the Governmental Funds Schedule of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	1,636,830
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$754,124) exceeded depreciation (\$580,036) in the current period.</p>		174,088
<p>In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.</p>		(14,511)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		168,573
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which bond proceeds (\$268,105) exceeded payments (\$156,678).</p>		(111,427)
<p>Bond issuance premiums and discounts are other financing sources or uses to governmental funds, but are deferred liabilities in the statement of net position. This is the amount of bond issue premiums.</p>		(23,381)
<p>The amount by which the state's portion of net pension asset (\$9,221) increased, net pension liability (\$285,529) decreased, deferred inflows from pensions (\$157,177) decreased, and deferred outflows from pensions (\$37,549) decreased compared to the prior fiscal year.</p>		100,024
<p>The amount by which the state's portion of net other postemployment benefit asset (\$9,929) increased, net other postemployment benefit liability (\$12,325) decreased, deferred inflows from other postemployment benefits (\$5,326) increased, and deferred outflows from other postemployment benefits (\$305) increased compared to the prior fiscal year.</p>		17,233
<p>For assets acquired as capital leases, the amount financed is reported in the governmental funds as a source of financing. However, capital leases are long-term liabilities in the statement of net position. This is the amount by which the payment of principal (\$782) exceeded the addition of new capital leases (\$0).</p>		782
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
<p>Accretion of bond premiums</p>	\$	14,063
<p>Increase in entity-wide interest payable</p>		(5,161)
<p>Increase in compensated absences</p>		(506)
<p>Amortization of losses on refunded bonds</p>		(420)
<p>Timing difference of due from/to other funds</p>		68
<p>Decrease in claims and judgments payable</p>		5,275
		13,319
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>1,961,530</b>

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
Statement of Net Position  
Proprietary Funds  
June 30, 2019  
(expressed in thousands)

	Business-Type Activities - Enterprise Funds				Total
	Employment Security Commission	Water Resources Board	Office of Management and Enterprise Services	Lottery Commission	
<b>Assets</b>					
<b>Current Assets</b>					
Cash/Cash Equivalents	\$ 1,130,439	\$ 139,542	\$ 96,080	\$ 35,036	\$ 1,401,097
Investments	0	17,842	208,483	0	226,325
Accounts Receivable	2,702	0	112,003	7,462	122,167
Interest and Investment Revenue Receivable	6,717	11,957	950	0	19,624
Federal Grants Receivable	25	729	0	0	754
Taxes Receivable	79,168	0	0	0	79,168
Notes Receivable	0	74,496	0	0	74,496
Due from Other Funds	0	0	43	0	43
Other Receivables	0	6	0	0	6
Other Current Assets	0	8	24,338	0	24,346
<b>Total Current Assets</b>	<b>\$ 1,219,051</b>	<b>\$ 244,580</b>	<b>\$ 441,897</b>	<b>\$ 42,498</b>	<b>\$ 1,948,026</b>
<b>Noncurrent Assets</b>					
Cash/Cash Equivalents, Restricted	\$ 0	\$ 16,135	\$ 0	\$ 0	\$ 16,135
Long-Term Investments	0	12,585	0	0	12,585
Long-Term Investments, Restricted	0	51,873	0	0	51,873
Long-Term Notes Receivable	0	1,394,686	0	0	1,394,686
Net Other Postemployment Benefits	0	0	43	0	43
Capital Assets, Net	0	478	965	100	1,543
Other Noncurrent Assets	0	0	0	5,105	5,105
<b>Total Noncurrent Assets</b>	<b>\$ 0</b>	<b>\$ 1,475,757</b>	<b>\$ 1,008</b>	<b>\$ 5,205</b>	<b>\$ 1,481,970</b>
<b>Total Assets</b>	<b>\$ 1,219,051</b>	<b>\$ 1,720,337</b>	<b>\$ 442,905</b>	<b>\$ 47,703</b>	<b>\$ 3,429,996</b>
<b>Deferred Outflows of Resources</b>					
Deferred Other Postemployment Benefits	\$ 0	\$ 0	\$ 61	\$ 0	\$ 61
Deferred Pension Plan Outflows	0	0	697	334	1,031
<b>Total Deferred Outflows</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 758</b>	<b>\$ 334</b>	<b>\$ 1,092</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts Payable and Accrued Liabilities	\$ 1,156	\$ 45	\$ 165,085	\$ 30,710	\$ 196,996
Interest Payable	0	10,307	0	0	10,307
Compensated Absences	0	109	0	147	256
Revenue Bonds (Net)	0	55,625	0	0	55,625
Due to Fiduciary Funds	0	0	0	1,380	1,380
Due to Component Units	0	0	6	0	6
Due to Other Funds	0	0	0	4,328	4,328
Other Current Liabilities	0	911	31,888	0	32,799
<b>Total Current Liabilities</b>	<b>\$ 1,156</b>	<b>\$ 66,997</b>	<b>\$ 196,979</b>	<b>\$ 36,565</b>	<b>\$ 301,697</b>
<b>Noncurrent Liabilities</b>					
Revenue Bonds (including Premiums)	\$ 0	\$ 946,790	\$ 0	\$ 0	\$ 946,790
Compensated Absences	0	47	629	73	749
Other Noncurrent Liabilities	0	0	8,418	0	8,418
Pension Obligation	0	0	651	187	838
Other Postemployment Benefits	0	0	493	0	493
<b>Total Noncurrent Liabilities</b>	<b>\$ 0</b>	<b>\$ 946,837</b>	<b>\$ 10,191</b>	<b>\$ 260</b>	<b>\$ 957,288</b>
<b>Total Liabilities</b>	<b>\$ 1,156</b>	<b>\$ 1,013,834</b>	<b>\$ 207,170</b>	<b>\$ 36,825</b>	<b>\$ 1,258,985</b>
<b>Deferred Inflows of Resources</b>					
Deferred Inflows from Pensions	\$ 0	\$ 0	\$ 367	\$ 132	\$ 499
Deferred Inflows from OPEB	0	0	127	0	127
Refinancing of Debt	0	2,329	0	0	2,329
<b>Total Deferred Inflows</b>	<b>\$ 0</b>	<b>\$ 2,329</b>	<b>\$ 494</b>	<b>\$ 132</b>	<b>\$ 2,955</b>
<b>Net Position</b>					
Invested in Capital Assets	\$ 0	\$ 478	\$ 965	\$ 100	\$ 1,543
<b>Restricted for:</b>					
Debt Service	0	325,360	0	0	325,360
Lottery Benefits	0	0	0	10,980	10,980
Unemployment Benefits	1,217,895	0	0	0	1,217,895
Unrestricted	0	378,336	235,034	0	613,370
<b>Total Net Position</b>	<b>\$ 1,217,895</b>	<b>\$ 704,174</b>	<b>\$ 235,999</b>	<b>\$ 11,080</b>	<b>\$ 2,169,148</b>

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2019  
(expressed in thousands)

	Business-Type Activities - Enterprise Funds				Total
	Employment Security Commission	Water Resources Board	Office of Management and Enterprise Services	Lottery Commission	
<b>Operating Revenues</b>					
Sales and Services	\$ 255,785	\$ 0	\$ 1,100,035	\$ 241,693	\$ 1,597,513
Federal Grants	12,100	4,037	0	0	16,137
Interest and Investment Revenue	0	38,385	0	0	38,385
Other	0	0	1,973	294	2,267
<b>Total Operating Revenues</b>	<b>\$ 267,885</b>	<b>\$ 42,422</b>	<b>\$ 1,102,008</b>	<b>\$ 241,987</b>	<b>\$ 1,654,302</b>
<b>Operating Expenses</b>					
Facilities Operations and Maintenance	\$ 0	\$ 0	\$ 0	\$ 153	\$ 153
Administration and General	0	4,629	50,044	6,692	61,365
Prizes, Commissions and Other	0	0	0	167,003	167,003
Interest	0	36,335	0	0	36,335
Depreciation	0	142	604	43	789
Benefit Payments and Refunds	225,242	0	1,038,695	0	1,263,937
<b>Total Operating Expenses</b>	<b>\$ 225,242</b>	<b>\$ 41,106</b>	<b>\$ 1,089,343</b>	<b>\$ 173,891</b>	<b>\$ 1,529,582</b>
Operating Income (Loss)	\$ 42,643	\$ 1,316	\$ 12,665	\$ 68,096	\$ 124,720
<b>Nonoperating Revenues (Expense)</b>					
Interest and Investment Revenue	\$ 25,585	\$ 7,294	\$ (2,348)	\$ 605	\$ 31,136
Other Nonoperating Revenues	4,247	1,262	0	0	5,509
Nonoperating Federal Grants	0	27,947	0	0	27,947
Other Nonoperating Expenses	0	0	0	(750)	(750)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 29,832</b>	<b>\$ 36,503</b>	<b>\$ (2,348)</b>	<b>\$ (145)</b>	<b>\$ 63,842</b>
Income (Loss) Before Transfers	\$ 72,475	\$ 37,819	\$ 10,317	\$ 67,951	\$ 188,562
Transfers In	0	7,352	0	0	7,352
Transfers Out	0	(7,354)	0	(67,554)	(74,908)
Change in Net Position	\$ 72,475	\$ 37,817	\$ 10,317	\$ 397	\$ 121,006
<b>Total Net Position - Beginning of Year (as restated)</b>	<b>1,145,420</b>	<b>666,357</b>	<b>225,682</b>	<b>10,683</b>	<b>2,048,142</b>
<b>Total Net Position - Ending</b>	<b>\$ 1,217,895</b>	<b>\$ 704,174</b>	<b>\$ 235,999</b>	<b>\$ 11,080</b>	<b>\$ 2,169,148</b>

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2019  
(expressed in thousands)

	Business-Type Activities - Enterprise Funds				
	Employment Security Commission	Water Resources Board	Office of Management and Enterprise Services	Lottery Commission	Total
<b>Cash Flows from Operating Activities</b>					
Receipts from Customers and Users	\$ 261,822	\$ 0	\$ 1,332,996	\$ 225,808	\$ 1,820,626
Receipts from Federal Grants	9,265	4,281	0	0	13,546
Payments of Benefits	(225,242)	(21)	(1,261,298)	0	(1,486,561)
Payments to Suppliers	0	(2,551)	(20,967)	(15,358)	(38,876)
Payments to Employees	0	(2,234)	(8,934)	(2,988)	(14,156)
Payments to Prize Winners	0	0	0	(139,760)	(139,760)
Payments to fund deposit with Multi-State Lottery	0	0	0	(614)	(614)
Payments of Operating Interest Expense	0	(37,706)	0	0	(37,706)
Collections of Interest on Loans to Governmental Units	0	35,356	0	0	35,356
Net Cash Provided (Used) by Operating Activities	\$ 45,845	\$ (2,875)	\$ 41,797	\$ 67,088	\$ 151,855
<b>Cash Flows from Noncapital Financing Activities</b>					
Federal Grants and Other Contributions	\$ 4,086	\$ 178,937	\$ 0	\$ 0	\$ 183,023
Transfers In	0	6,858	0	0	6,858
Transfers Out	0	(6,860)	0	(63,980)	(70,840)
Principal Paid on Bonds and Notes Payable	0	(50,140)	0	0	(50,140)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 4,086	\$ 128,795	\$ 0	\$ (63,980)	\$ 68,901
<b>Cash Flows from Capital and Related Financing Activities</b>					
Payments for Acquisition of Capital Assets	\$ 0	\$ (205)	0	\$ (42)	\$ (247)
Net Cash Used by Capital and Related Financing Activities	\$ 0	\$ (205)	\$ 0	\$ (42)	\$ (247)
<b>Cash Flows from Investing Activities</b>					
Interest and Investment Revenue	\$ 24,933	\$ 8,541	3,817	\$ 584	\$ 37,875
Proceeds from Sale and Maturity of Investments	0	(4,179)	141,158	0	136,979
Payments to Purchase Investments	0	86,528	(178,717)	0	(92,189)
Collections of Principal on Loans to Governmental Units	0	77,593	0	0	77,593
Payments to Issue Notes Receivable	0	(305,802)	0	0	(305,802)
Net Cash Provided by Investing Activities	\$ 24,933	\$ (137,319)	\$ (33,742)	\$ 584	\$ (145,544)
Net Increase in Cash/Cash Equivalents	\$ 74,864	\$ (11,604)	\$ 8,055	\$ 3,650	\$ 74,965
<b>Cash/Cash Equivalents - Beginning of Year</b>	1,055,575	167,281	88,025	31,386	1,342,267
<b>Cash/Cash Equivalents - End of Year</b>	\$ 1,130,439	\$ 155,677	\$ 96,080	\$ 35,036	\$ 1,417,232
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>					
Operating Income (Loss)	\$ 42,643	\$ 1,316	\$ 12,665	\$ 68,096	\$ 124,720
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation Expense	0	142	604	43	789
Amortization (Accretion) and Other Noncash Expenses	0	(3,123)	0	17	(3,106)
Decrease (Increase) in Assets					
Accounts Receivable	3,492	0	(13,530)	(932)	(10,970)
Federal Receivable	(19)	0	0	0	(19)
Interest and Investment Receivable	0	(2,285)	0	0	(2,285)
Deposit with Multi-State Lottery	0	0	0	(614)	(614)
Other Receivables	0	(21)	(12,632)	0	(12,653)
Increase (Decrease) in Liabilities					
Accounts Payable and Accrued Liabilities	0	2	32,880	(948)	31,934
Interest Payable	0	1,252	0	0	1,252
Prizes Payable	0	0	0	1,610	1,610
Compensated Absences	0	16	0	0	16
Due to Other Funds	0	0	0	(46)	(46)
Unavailable Revenue	(271)	0	0	(30)	(301)
Other Current Liabilities	0	(174)	21,810	(108)	21,528
Net Cash Provided (Used) by Operating Activities	\$ 45,845	\$ (2,875)	\$ 41,797	\$ 67,088	\$ 151,855

The Notes to the Financial Statements are an integral part of this statement.

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State of Oklahoma  
Statement of Fiduciary Net Position  
Fiduciary Funds and Similar Component Units  
June 30, 2019  
(expressed in thousands)

	Pension Trust Funds	Agency Fund
<b>Assets</b>		
Cash/Cash Equivalents	\$ 756,879	\$ 367,893
Investments, at fair value		
Equity Securities	17,566,079	0
Governmental Securities	3,926,010	0
Debt Securities	4,323,054	0
Mutual Funds	3,458,364	0
Other Investments	4,297,571	0
Securities Lending Investments	2,052,213	0
Taxes Receivable	0	147,652
Accounts Receivable	0	102
Interest and Investment Revenue Receivable	98,142	0
Employer Contributions Receivable	53,393	0
Employee Contributions Receivable	31,827	0
Other Receivables	46	0
Due from Brokers	431,830	0
Due from Primary Government	86,544	0
Due from Component Units	741	0
Inventory	0	7,603
Capital Assets, Net	6,177	0
Other Assets	1,046	0
Total Assets	<u>\$ 37,089,916</u>	<u>\$ 523,250</u>
<b>Liabilities</b>		
Account Payable	\$ 42,694	\$ 553
Tax Refunds Payable	0	114,111
Securities Lending Payable	2,052,213	0
Due to Brokers	870,265	0
Due to Other Funds	73	0
Due to Component Units	1	0
Due to Others	0	408,586
Benefits in the Process of Payment	98,998	0
Other Liabilities	11,508	0
Total Liabilities	<u>\$ 3,075,752</u>	<u>\$ 523,250</u>
<b>Net Position</b>		
Net Position Restricted for Pensions	<u>\$ 34,014,164</u>	

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds and Similar Component Units  
For the Fiscal Year Ended June 30, 2019  
(expressed in thousands)

	Pension Trust Funds
<b>Additions</b>	
Contributions	
Employer Contributions	\$ 835,087
Employee Contributions	455,814
Other Contributions	<u>536,971</u>
Total Contributions	<u>\$ 1,827,872</u>
Investment Earnings	
Net Increase (Decrease) in Fair Value of Investments	\$ 1,208,772
Interest and Investment Revenue	<u>660,043</u>
Total Investment Earnings	\$ 1,868,815
Less Investment Expenses	<u>135,482</u>
Net Investment Earnings	<u>\$ 1,733,333</u>
Total Additions	<u>\$ 3,561,205</u>
<b>Deductions</b>	
Administrative and General Expenses	\$ 23,659
Benefit Payments and Refunds	<u>2,589,272</u>
Total Deductions	<u>\$ 2,612,931</u>
Change in Net Position Restricted for Pensions	\$ 948,274
<b>Net Position - Beginning of Year</b>	<u>33,065,890</u>
<b>Net Position - End of Year</b>	<u><u>\$ 34,014,164</u></u>

The Notes to the Financial Statements are an integral part of this statement.

## Description of Major Component Units

The State of Oklahoma has six major component units which are described below:

### OKLAHOMA STUDENT LOAN AUTHORITY

525 Central Park Drive, Suite 600, Oklahoma City, Oklahoma 73105  
www.osla.org

The Authority provides loans to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations.

### OKLAHOMA HOUSING FINANCE AGENCY

100 N.W. 63rd Street, Suite 200, Oklahoma City, Oklahoma 73116  
www.ohfa.org

The Agency is authorized to issue revenue bonds and notes in order to provide funds to promote the development of adequate residential housing and other economic development for the benefit of the State of Oklahoma.

### OKLAHOMA TURNPIKE AUTHORITY

P.O. Box 11357, Oklahoma City, Oklahoma 73111  
www.pikepass.com

The Authority is authorized to construct, maintain, repair, and operate turnpike projects at locations authorized by the Legislature and approved by the Department of Transportation. The Authority receives revenues from turnpike tolls and a percentage of the turnpike concessions sales. The Authority issues revenue bonds to finance the cost of turnpike projects.

### GRAND RIVER DAM AUTHORITY

P.O. Box 409, Vinita, Oklahoma 74301  
www.grda.com

The Authority controls the waters of the Grand River system to generate waterpower into electric energy and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma.

### OKLAHOMA MUNICIPAL POWER AUTHORITY

P.O. Box 1960, Edmond, Oklahoma 73083  
www.ompa.com

The Authority provides a means for the municipal electric systems in the state to jointly plan, finance, acquire, and operate electrical power supply facilities necessary to meet the electrical energy requirements of their consumers. The Authority also sells electric power to its member municipalities.

### HIGHER EDUCATION

Higher education is primarily comprised of colleges and universities which are members of the Oklahoma State System of Higher Education. The system includes the following colleges and universities:

#### COMPREHENSIVE UNIVERSITIES

University of Oklahoma  
Oklahoma State University

#### OTHER FOUR-YEAR UNIVERSITIES

University of Central Oklahoma  
East Central University  
Northeastern State University  
Northwestern Oklahoma State University  
Southeastern Oklahoma State University  
Southwestern Oklahoma State University  
Cameron University  
Langston University  
Oklahoma Panhandle State University  
Rogers State University  
University of Science and Arts of Oklahoma

#### TWO YEAR COLLEGES

Carl Albert State College  
Connors State College  
Eastern Oklahoma State College  
Redlands Community College  
Murray State College  
Northeastern Oklahoma A & M College  
Northern Oklahoma College  
Oklahoma City Community College  
Rose State College  
Seminole State College  
Tulsa Community College  
Western Oklahoma State College

Each institution which is a member of the Oklahoma State System of Higher Education (the system) is governed by a Board of Regents. The Boards of Regents consist of five to ten members appointed by the governor, with the advice and consent of the Senate. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. Also included in the higher education component unit are the following entities:

**Oklahoma State Regents for Higher Education** serves as the coordinating board of control for the system.

**Regional University System of Oklahoma Regents** has legislative powers and duties to manage, supervise, and control operation of the six regional state universities which are the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, and Southwestern Oklahoma State University.

**University Center of Southern Oklahoma** was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning in southern Oklahoma. Students enrolled in the program earn credit applicable toward academic degrees and certificates at participating institutions in the system.

**University Center at Ponca City** was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning in northern Oklahoma. Students enrolled in the program earn credit applicable toward academic degrees and certificates at participating institutions in the system.

**Rose State College Technical Area Education District, South Oklahoma City Area School District, and Tulsa Community College Area School District #18** were created to provide secondary vocational, technical, and adult education programs for persons within their defined geographical boundaries.



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State of Oklahoma  
Combining Statement of Net Position  
Major Component Units  
June 30, 2019  
(expressed in thousands)

	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
<b>Assets</b>								
<b>Current Assets</b>								
Cash/Cash Equivalents -								
Unrestricted	\$ 0	\$ 5,310	\$ 151,573	\$ 20,798	\$ 15,001	\$ 1,505,895	\$ 205,010	\$ 1,903,587
Investments	17,367	14,970	9,412	93,057	5,964	1,128,568	41,590	1,310,928
Accounts Receivable	0	57	8,569	40,677	15,629	537,768	80,816	683,516
Interest and Investment								
Revenue Receivable	6,745	1,076	1,864	1,560	202	2,224	255	13,926
Federal Grants Receivable	0	876	0	0	0	12,399	0	13,275
Other Receivables	0	0	0	0	0	34,812	939	35,751
Notes Receivable	0	1,551	0	0	249	5,336	994	8,130
Due from Fiduciary Funds	0	0	0	0	0	1	0	1
Due from Component Units	0	0	0	1,253	0	11,192	294	12,739
Due from Primary Government	0	0	6,924	0	0	14,036	31,556	52,516
Inventory	0	0	8,863	74,647	4,685	18,861	0	107,056
Prepaid Items	0	404	315	5,490	0	5,928	3,668	15,805
Other Current Assets	0	0	0	0	13,496	3,777	14,469	31,742
<b>Total Current Assets</b>	<b>\$ 24,112</b>	<b>\$ 24,244</b>	<b>\$ 187,520</b>	<b>\$ 237,482</b>	<b>\$ 55,226</b>	<b>\$ 3,280,797</b>	<b>\$ 379,591</b>	<b>\$ 4,188,972</b>
<b>Noncurrent Assets</b>								
Cash/Cash Equivalents -								
Restricted	\$ 81	\$ 12,237	\$ 871,477	\$ 4,156	\$ 44,917	\$ 281,900	\$ 3,314	\$ 1,218,082
Investments - Restricted	40,270	213,084	167,047	128,810	62,713	2,023,606	911	2,636,441
Long-Term Investments								
Unrestricted	191,350	62,649	0	198,797	29,465	1,332,690	15,333	1,830,284
Net OPEB asset	0	0	149	0	0	16,102	0	16,251
Long-Term Notes Receivable, Net								
Unrestricted	0	0	0	0	1,146	34,142	2,377	37,665
Capital Assets								
Depreciable, Net	591	2,209	914,991	1,154,361	451,062	5,355,806	295,439	8,174,459
Land	0	550	274,040	38,239	0	211,546	4,396	528,771
Construction in Progress	0	0	557,720	25,650	4,878	257,306	4,246	849,800
Other Noncurrent Assets								
Unrestricted	391	0	0	1,773	112,535	72,718	40,283	227,700
Restricted	0	0	0	0	278	0	36	314
<b>Total Noncurrent Assets</b>	<b>\$ 232,683</b>	<b>\$ 290,729</b>	<b>\$ 2,785,424</b>	<b>\$ 1,551,786</b>	<b>\$ 706,994</b>	<b>\$ 9,585,816</b>	<b>\$ 366,335</b>	<b>\$ 15,519,767</b>
<b>Total Assets</b>	<b>\$ 256,795</b>	<b>\$ 314,973</b>	<b>\$ 2,972,944</b>	<b>\$ 1,789,268</b>	<b>\$ 762,220</b>	<b>\$ 12,866,613</b>	<b>\$ 745,926</b>	<b>\$ 19,708,739</b>
<b>Deferred Outflow of Resources</b>								
Deferred Outflows from Pensions	\$ 1,418	\$ 1,527	\$ 2,963	\$ 8,395	\$ 683	\$ 356,909	\$ 1,076	\$ 372,971
Accumulated Decrease in Fair Value of								
Derivatives	0	0	0	0	2,835	0	0	2,835
Lease Restructuring	0	0	0	0	0	2,612	0	2,612
Advance Refunding of Bonds	0	0	86,491	0	16,495	8,766	13	111,765
Deferred Outflows from OPEB	0	75	92	0	0	31,884	0	32,051
Asset Retirement Obligations	0	0	0	0	0	201	0	201
Defeasance of Bonds	0	0	0	34,523	0	1,058	0	35,581
<b>Total Deferred Outflows</b>	<b>\$ 1,418</b>	<b>\$ 1,602</b>	<b>\$ 89,546</b>	<b>\$ 42,918</b>	<b>\$ 20,013</b>	<b>\$ 401,430</b>	<b>\$ 1,089</b>	<b>\$ 558,016</b>

The Notes to the Financial Statements are an integral part of this statement.

	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
<b>Liabilities</b>								
<b>Current Liabilities</b>								
Accounts Payable and Accrued Liabilities	\$ 1,073	\$ 1,552	\$ 79,967	\$ 36,453	\$ 25,631	\$ 256,157	\$ 116,611	\$ 517,444
Claims and Judgments	0	0	0	0	0	2,457	45,989	48,446
Interest Payable	341	453	37,382	3,872	13,870	22,506	290	78,714
Unearned Revenue	0	659	34,620	0	15,354	145,458	142	196,233
Due to Other Component Units	0	3	0	25	1,109	11,294	168	12,599
Due to Fiduciary Funds	0	72	0	589	78	2	0	741
Due to Primary Government	1	0	87	111	0	440	14	653
Capital Leases	0	0	0	143	0	50,020	250	50,413
Capital Leases-Primary Govt.	0	0	0	0	0	9,925	0	9,925
Compensated Absences	0	879	2,316	3,378	0	83,814	553	90,940
Notes Payable	0	10,500	15,000	0	2,522	1,073	4,500	33,595
Revenue Bonds	0	9,624	56,645	26,205	22,465	56,539	0	171,478
Other Current Liabilities	0	0	0	8,093	1,122	535,867	24,439	569,521
<b>Total Current Liabilities</b>	<b>\$ 1,415</b>	<b>\$ 23,742</b>	<b>\$ 226,017</b>	<b>\$ 78,869</b>	<b>\$ 82,151</b>	<b>\$ 1,175,552</b>	<b>\$ 192,956</b>	<b>\$ 1,780,702</b>
<b>Noncurrent Liabilities</b>								
Claims and Judgments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,198	\$ 449,510	\$ 452,708
Due to Primary Government	0	0	54,402	0	0	0	0	54,402
Capital Leases	0	0	0	0	0	764,201	64	764,265
Capital Leases-Primary Govt.	0	0	0	0	0	318,584	0	318,584
Compensated Absences	0	0	0	1,538	0	38,106	59	39,703
Net Pension Liability	6,246	1,491	2,239	6,713	638	1,573,928	755	1,592,010
Notes Payable	42,432	0	0	0	30,721	12,229	11,264	96,646
General Obligation Bonds	0	0	0	0	0	0	30,000	30,000
Net OPEB Liability	0	32	2,115	17,669	0	537,700	0	557,516
Revenue Bonds	145,091	135,871	1,810,940	941,365	599,880	1,471,697	9,999	5,114,843
Unamortized Premium (Discount) on refunding	(512)	3,509	172,753	108,371	25,669	48,879	0	358,669
Other Noncurrent Liabilities	462	0	1,681	3,949	1,713	149,831	714	158,350
<b>Total Noncurrent Liabilities</b>	<b>\$ 193,719</b>	<b>\$ 140,903</b>	<b>\$ 2,044,130</b>	<b>\$ 1,079,605</b>	<b>\$ 658,621</b>	<b>\$ 4,918,353</b>	<b>\$ 502,365</b>	<b>\$ 9,537,696</b>
<b>Total Liabilities</b>	<b>\$ 195,134</b>	<b>\$ 164,645</b>	<b>\$ 2,270,147</b>	<b>\$ 1,158,474</b>	<b>\$ 740,772</b>	<b>\$ 6,093,905</b>	<b>\$ 695,321</b>	<b>\$ 11,318,398</b>
<b>Deferred Inflow of Resources</b>								
Accumulated Increase in Fair Value	\$ 0	\$ 33	\$ 0	\$ 700	\$ 0	\$ 0	\$ 0	\$ 733
Restructured Debt	0	0	0	0	0	9,722	0	9,722
Derivative Instruments	0	0	0	0	0	326	0	326
Deferred pension plan inflows	886	362	1,630	3,574	464	267,863	308	275,087
Deferred OPEB plan inflows	0	0	913	0	0	60,512	0	61,425
Deferred Regulation inflows	0	0	0	46,948	4,139	0	0	51,087
Service Concession Arrangements	0	0	0	0	0	25,347	0	25,347
<b>Total Deferred Inflows</b>	<b>\$ 886</b>	<b>\$ 395</b>	<b>\$ 2,543</b>	<b>\$ 51,222</b>	<b>\$ 4,603</b>	<b>\$ 363,770</b>	<b>\$ 308</b>	<b>\$ 423,727</b>
<b>Net Position</b>								
Net Investment in Capital Assets	\$ 591	\$ 2,759	\$ 373,119	\$ 239,876	\$ (25,115)	\$ 3,168,700	\$ 294,207	\$ 4,054,137
Restricted for:								
Debt Service	0	76,573	187,943	15,286	22,865	52,500	0	355,167
Other Special Purpose								
Expendable	46,673	591	76,937	2,202	11,374	2,883,077	3,506	3,024,360
Nonexpendable	0	0	0	0	0	958,193	0	958,193
Unrestricted	14,929	71,612	151,801	365,126	27,734	(252,102)	(246,327)	132,773
<b>Total Net Position</b>	<b>\$ 62,193</b>	<b>\$ 151,535</b>	<b>\$ 789,800</b>	<b>\$ 622,490</b>	<b>\$ 36,858</b>	<b>\$ 6,810,368</b>	<b>\$ 51,386</b>	<b>\$ 8,524,630</b>

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
 Combining Statement of Activities  
 Major Component Units  
 For the Fiscal Year Ended June 30, 2019  
 (expressed in thousands)

	Program Revenues				General Revenue		Change in Net Position	Net Position Beginning of Year	Net Position End of Year
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue	Payments from Primary Government				
<b>Component Units:</b>									
Oklahoma Student Loan Authority	\$ 19,478	\$ 22,218	\$ 0	\$ 2,740	\$ 0	\$ 2,740	\$ 59,453	\$ 62,193	
Oklahoma Housing Finance Agency	155,509	13,765	136,219	(5,525)	0	(5,525)	157,060	151,535	
Oklahoma Turnpike Authority	233,790	342,507	0	108,717	0	108,717	681,083	789,800	
Grand River Dam Authority	426,453	456,583	0	30,130	0	30,130	592,360	622,490	
Oklahoma Municipal Power Authority	193,213	194,884	0	1,671	0	1,671	35,187	36,858	
Higher Education Component Unit	4,860,147	2,847,263	1,698,141	(314,743)	790,651	475,908	6,334,460	6,810,368	
Nonmajor Component Units Total	518,261	382,354	19,012	(116,895)	88,472	(28,423)	79,809	51,386	
Total Component Units	\$ 6,406,851	\$ 4,259,574	\$ 1,853,372	\$ (293,905)	\$ 879,123	\$ 585,218	\$ 7,939,412	\$ 8,524,630	

The Notes to the Financial Statements are an integral part of this statement.



Auctioneer Bailey Ballou takes bids from the middle of the Oklahoma National Stockyards auction arena. Ballou is the 2012 World Livestock Auctioneering Champion.



Above: Cattle crowd the sales floor during an auction.

Right: Sellers review lot cards before entering the arena floor during an auction.





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FISCAL YEAR ENDED JUNE 30, 2019

### Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the State of Oklahoma (the state) are prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

In November of 2016, GASB issued Statement number 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations.

The state was required to implement this standard for the fiscal year ended June 30, 2019.

In April of 2018, GASB issued Statement number 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed in notes to the financial statements including unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

The state was required to implement this standard for the fiscal year ended June 30, 2019.

New accounting statements issued but not yet adopted:

GASB Statement number 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists.

GASB Statement number 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contracts. The statement also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

GASB Statement number 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of the construction period.

GASB Statement number 90, *Majority Equity Interests - An Amendment of GASB Statement numbers 14 and 61*, is to improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

GASB Statement number 91, *Conduit Debt Obligations*, is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations and related note disclosures.

The accompanying financial statements present the financial position of the state and the various funds and fund types, results of operations of the state and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2019, and for the year then ended. The financial statements include the various agencies, boards, commissions, public trusts, authorities and other organizational units governed by the Oklahoma State Legislature and/or Constitutional Officers of the State of Oklahoma.

#### **A. Reporting Entity**

The state has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the state to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the state. Local school districts (the state's support of the public education system is reported in the general fund) and other local authorities of various kinds that may meet only one of the criteria for inclusion in this report have not been included.

As required by GAAP, these financial statements present the State of Oklahoma, the primary government, and its component units.

#### **Discretely Presented Component Units**

Component units are entities which are legally separate from the state, but are financially accountable to the state, or whose relationships with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete. Separately issued independent audit reports may be obtained from the Office of Management and Enterprise Services, 5005 North Lincoln Blvd., Suite 100, Oklahoma City, Oklahoma 73105. The audit reports may also be obtained from the respective component units at the addresses presented on the description page of the fund financial statements section for the major component units, and the description page in the combining financial statement section of this report for the non-major component units.

The component units' column of the *Government-Wide Financial Statements* includes the financial data of the following entities:

### **MAJOR COMPONENT UNITS**

**Oklahoma Student Loan Authority** provides loan funds to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations. The authority is composed of five members appointed by the governor, with the advice and consent of the Senate. The state can impose its will on the authority by its ability to veto or modify the authority's decisions. The authority was audited by other independent auditors for the year ended June 30, 2019, and their report, dated October 30, 2019, and has been previously issued under separate cover.

**Oklahoma Housing Finance Agency** is authorized to issue revenue bonds and notes in order to provide funds to promote the development of residential housing and other economic development for the benefit of citizens. In addition, the Agency administers Section 8 Housing Assistance Payments programs for the U.S. Department of Housing and Urban Development. The board of trustees consists of five members appointed by the governor. The state can impose its will on the agency by its ability to veto or modify the agency's decisions. The agency was audited by other independent auditors for the year ended September 30, 2018, and their report, dated January 28, 2019, and has been previously issued under separate cover.

**Oklahoma Turnpike Authority** constructs, maintains, repairs, and operates turnpike projects at locations authorized by the Legislature and approved by the state Department of Transportation. The authority receives its revenues from turnpike tolls and a percentage of turnpike concession sales. The authority issues revenue bonds to finance turnpike projects. The authority consists of the governor and six members appointed by the governor, with the advice and consent of the Senate. The state can impose its will on the authority by its ability to veto or modify the authority's decisions. The authority was audited by other independent auditors for the



year ended December 31, 2018, and their report, dated March 28, 2019, and has been previously issued under separate cover.

**Grand River Dam Authority** controls the waters of the Grand River system to develop and generate waterpower and electric energy, and to promote irrigation, conservation and development of natural resources. The authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma. The customers consist of rural electric cooperatives, municipalities, industries and off-system sales. The seven-member board of directors consists of the general manager of the Oklahoma Association of Electric Cooperatives, the executive director of the Municipal Electric Systems of Oklahoma, and appointees by the governor, the Speaker of the House of Representatives, and the president pro tempore of the Senate. The state can impose its will on the authority by its ability to veto or modify the authority's decisions. The authority was audited by other independent auditors for the year ended December 31, 2018, and their report, dated March 28, 2019, and has been previously issued under separate cover.

**Oklahoma Municipal Power Authority** provides a means for the municipal electric systems in the state to jointly plan, finance, acquire, and operate electrical power supply facilities. Facilities are financed through the issuance of revenue bonds, which are approved by the state's Bond Oversight Commission. Exclusion of the Component Unit would cause the state's financial statements to be misleading or incomplete. The authority was audited by other independent auditors for the year ended December 31, 2018, and their report, dated March 29, 2019, and has been previously issued under separate cover.

**Higher Education Component Unit** - This component unit is primarily comprised of the 25 colleges and universities that are members of the Oklahoma State System of Higher Education (the system). All of the colleges and universities have foundations that receive and hold economic resources for the benefit of their associated entity. These foundations are component units of their respective college or university and are included as part of the higher education component unit. Separately issued independent audit reports for each college, university, foundation, or other included entity may be obtained from the Office of Management and Enterprise Services, 5005 North Lincoln Blvd., Suite 100, Oklahoma City, Oklahoma 73105. Each institution in the system is governed by a board of regents. The boards of regents consist of five to ten members appointed by the governor, with the advice and consent of the Senate. The state can impose its will on each institution by its ability to modify and approve their budget. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants.

For fiscal year ending June 30, 2019, the foundation for Murray State College received an adverse opinion from its independent auditors. The foundation's financial information included in the higher education component unit is measured as of June 30, 2016.

Also included in the Higher Education Component Unit are the following entities:

- **Oklahoma State Regents for Higher Education** serves as the coordinating board of control for the system. The board of regents for higher education consists of nine members appointed by the governor, with the advice and consent of the Senate. The state can impose its will on the state regents for higher education by its ability to modify and approve their budget.
- **Regional University System of Oklahoma** has legislative powers and duties to manage, supervise, and control operation of the six regional state universities which are the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, and Southwestern Oklahoma State University. The board consists of the State Superintendent of Public Instruction and eight members appointed by the governor, with the advice and consent of the Senate. The state can impose its will on the board of regents by its ability to modify and approve their budget. Each of the six regional state universities has one or more foundations that are component units of their respective university and are included in the higher education component unit.
- **University Center of Southern Oklahoma** was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning. Students enrolled in the center earn credit applicable toward academic degrees and certificates at participating institutions in the system. Participating Institutions are: East Central University, Murray State College, and Southeastern Oklahoma State University. The center is administered by a board of trustees appointed by the governor,

with the advice and consent of the Senate. The state can impose its will on the center by its ability to modify and approve their budget.

- **Rose State College Technical Area Education District, South Oklahoma City Area School District, and Tulsa Community College Area School District #18** were created to provide postsecondary vocational, technical, and adult education programs for persons within their defined geographical boundaries. The primary source of operating funds is ad valorem taxes assessed against real property located in their districts. The districts are component units of Rose State College, Oklahoma City Community College, and Tulsa Community College, respectively.
- **University Center at Ponca City** was established to make educational program resources in the Oklahoma State System of Higher Education available to the citizens in Northern Oklahoma and the Ponca City community. The Center is administered by a Board of Trustees consisting of nine members appointed by the governor with the advice and consent of the Senate. The state can impose its will on the Center by its ability to modify and approve their budget.

## NON-MAJOR COMPONENT UNITS

**Oklahoma Educational Television Authority (OETA)** was created to “make educational television services available to all Oklahoma citizens on a coordinated statewide basis.” The Board of Directors is comprised of thirteen members, seven of which are appointed by the governor, with the advice and consent of the Senate. A financial benefit/burden relationship exists between the state and OETA. OETA also has a non-profit foundation that was established to receive private donations and contributions for the benefit of OETA. This foundation qualifies as a component unit of OETA and is combined with OETA. During fiscal year 2019, OETA severed ties with the OETA Foundation. A new entity, Friends of OETA, was created to replace the functions of the previous foundation. OETA was unable to complete financial reporting by the state’s statutory deadline and the information reported is measured as of June 30, 2018. OETA was audited by other independent auditors for the year ended June 30, 2018, and their report, dated October 18, 2018, was previously issued under separate cover. Refer to Note 20, *Subsequent Events*, for more information.

**Oklahoma Industrial Finance Authority** assists with the state's industrial development by making loans to authorized industrial development agencies or trusts and new or expanding industries within Oklahoma. These loans are secured by first or second mortgages on real estate and equipment. The authority's loans are financed by issuance of general obligation bonds. The Board of Directors is comprised of seven members appointed by the governor, with the advice and consent of the Senate. The state can impose its will on the authority by its ability to veto or modify the authority’s decisions. The authority was audited by other independent auditors for the year ended June 30, 2019, and their report, dated October 21, 2019, and has been previously issued under separate cover.

**Multiple Injury Trust Fund** provides benefits to a worker with a pre-existing disability who suffers a second on-the-job injury. The state can impose its will on the Fund by its ability to remove management (appointees) at will. The fund was audited by other independent auditors for the period ended December 31, 2018, and their report, dated June 14, 2019, and has been previously issued under separate cover.

**University Hospitals Authority** consists of The University Hospital and Children's Hospital of Oklahoma, and their related clinics and other services. The authority is affiliated with the University of Oklahoma Health Sciences Center whose medical school residents and staff provide patient care, in-service education, and certain administrative duties for the benefit of the authority. The authority is governed by a six-member board consisting of appointees of the governor, Speaker of the House of Representatives, and the president pro tempore of the Senate, and officials from the state Medicaid program, the University of Oklahoma Health Sciences Center and the authority. A financial benefit/burden relationship exists between the state and the authority. The authority was audited by other independent auditors for the year ended June 30, 2019, and their report, dated October 31, 2019, and has been previously issued under separate cover.

**Oklahoma Development Finance Authority** provides financing for both public and private entities in the state. The authority obtains funds through the issuance of bonds and notes. Private entities qualifying for financing are generally agricultural, civic, educational, health care, industrial, or manufacturing enterprises. Financing is also provided to governmental agencies and instrumentalities of the state. The governing board,

appointed by the governor, with the advice and consent of the Senate, is comprised of seven members: one person selected from each of the six congressional districts of the state as they existed in 1960 and the Director of the Department of Commerce. The state can impose its will on the authority by its ability to veto or modify the authority's decisions. The authority was audited by other independent auditors for the year ended June 30, 2019, and their report, dated October 21, 2019, and has been previously issued under separate cover.

**Oklahoma Capital Investment Board** assists the state with industrial development by mobilizing equity and near-equity capital making investments for the potential creation of jobs and growth that will diversify and stabilize the economy. The board of directors is comprised of five members appointed by the governor, with the advice and consent of the Senate. The state can impose its will on the board by its ability to veto or modify the board's decisions. The board, in order to mobilize investments, owns the Oklahoma Capital Formation Company LLC (OCFC), a formerly independent corporation. During fiscal year 2006, the board purchased 100% of the ownership of the OCFC. In fiscal year 2007, OCFC changed its corporate structure and name from a corporation to an Oklahoma limited liability company. Operations of the OCFC are included in the financial results of the board. The board was audited by other independent auditors for the year ended June 30, 2019, and their report, dated August 26, 2019, and has been previously issued under separate cover.

**Oklahoma State University Medical Authority** is affiliated with the Oklahoma State University Center for Health Sciences to provide funding, teaching and training for graduate medical students. It also serves as a site for conducting medical research by faculty and providing patient care. The board is governed by seven members which consists of the following: a member appointed by the governor, with the advice and consent of the Senate, a member appointed by the president pro tempore of the Senate, a member appointed by the Speaker of the House of Representatives, the chief executive officer of the Oklahoma Health Care Authority, or his or her designee, the president of the OSU Center for Health Sciences, chief executive officer of the Oklahoma State University Medical Authority and an appointee of the president of Oklahoma State University. A financial benefit/burden exists between the authority and the state. The authority was audited by other independent auditors for the year ended June 30, 2019, and their report, dated October 30, 2019, and has been issued under separate cover. In October 2013, Oklahoma State University Medical Trust, Oklahoma State University Medical Center Trust, and the authority entered into a Tripartite Agreement and Plan of Merger. Under the terms of the merger agreement the Oklahoma State University Medical Center Trust merged with the Oklahoma State University Medical Trust. Oklahoma State University Medical Trust, the surviving entity, is deemed to be a component unit of the authority due to the common governance.

## FIDUCIARY COMPONENT UNITS

Six public employee retirement systems (PERS) administer pension funds for the state and its political subdivisions. The six PERS are subject to state legislative and executive controls and the administrative expenses are subject to legislative budget controls. These legally separate component units, while meeting the definition of a component unit, are presented in the fund financial statements along with other primary government fiduciary funds of the state. They have been omitted from the *Government-Wide Financial Statements*.

Separately issued independent audit reports are available even though they are excluded from the *Government-Wide Financial Statements*. They may be obtained from the Office of Management and Enterprise Services, 5005 North Lincoln Blvd., Suite 100, Oklahoma City, Oklahoma 73105, or the respective fiduciary component units at the addresses presented on the description page of the Combining Financial Statement section of this report.

**Oklahoma Firefighters Pension and Retirement System** provides retirement benefits for municipal firefighters. The system is administered by a board comprised of thirteen members: The president of the Professional Firefighters of Oklahoma, the president of the Oklahoma State Retired Firefighters Association, the State Insurance Commissioner, and the director of the Office of Management and Enterprise Services (or their designee), the five members of the board of trustees of the Oklahoma Firefighters Association, and appointees by the Speaker of the House of Representatives, the president pro tempore of the Senate, and the president of the Oklahoma Municipal League. The system was audited by other independent auditors for the year ended June 30, 2019, and their report, dated October 10, 2019, and has been previously issued under separate cover.

**Oklahoma Law Enforcement Retirement System** provides retirement benefits for qualified law enforcement officers. The system is administered by a board comprised of thirteen members: The Commissioner of Public Safety (or designee), the Director of the Office of Management and Enterprise Services (or designee), members of the Department of Public Safety, the Oklahoma State Bureau of Investigation, the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control, and the Alcoholic Beverage Laws Enforcement Commission, and appointees by the governor, the Speaker of the House of Representatives, and the president pro tempore of the Senate. The system was audited by other independent auditors for the year ended June 30, 2019, and their report, dated October 14, 2019, and has been previously issued under separate cover.

**Oklahoma Public Employees Retirement System** administers the Oklahoma Public Employee Retirement Plan which provides retirement benefits for state, county and local employees. The board is comprised of fourteen members: the State Insurance Commissioner (or designee), and the Director of the Office of Management and Enterprise Services (or designee), a member of the Oklahoma Corporation Commission (or designee) selected by the Oklahoma Corporation Commission, the director of Human Capital Management of the Office of Management and Enterprise Services, a member of the Oklahoma Tax Commission selected by the Tax Commission, the State Treasurer (or designee), three appointees by the governor, one member appointed by the Supreme Court, two members appointed by the Speaker of the House of Representatives, and two members appointed by the president pro tempore of the Senate. The system was audited by other independent auditors for the year ended June 30, 2019, and their report, dated October 11, 2019, and has been previously issued under separate cover.

**Uniform Retirement System for Justices and Judges** is administered by the Oklahoma Public Employee Retirement System and provides retirement benefits for justices and judges. The board of trustees is comprised of fourteen members: the State Insurance Commissioner (or designee), and the director of the Office of Management and Enterprise Services (or designee), a member of the Oklahoma Corporation Commission (or designee) selected by the Oklahoma Corporation Commission, the director of Human Capital Management of the Office of Management and Enterprise Services, a member of the Oklahoma Tax Commission selected by the Oklahoma Tax Commission, the State Treasurer (or designee), three appointees by the governor, one member appointed by the Supreme Court, two members appointed by the Speaker of the House of Representatives, and two members appointed by the president pro tempore of the Senate. The system was audited by other independent auditors for the year ended June 30, 2019, and their report, dated October 11, 2019, and has been previously issued under separate cover.

**Oklahoma Police Pension and Retirement System** provides retirement benefits for police officers employed by participating municipalities. The system is administered by a board comprised of thirteen members: seven members elected from the seven board districts, the State Insurance Commissioner (or designee) and the director of the Office of Management and Enterprise Services (or designee), and appointees by the governor, the Speaker of the House of Representatives, the president pro tempore of the Senate, and the president of the Oklahoma Municipal League. The system was audited by other independent auditors for the year ended June 30, 2019, and their report, dated September 18, 2019, and has been previously issued under separate cover.

**Teachers' Retirement System of Oklahoma** provides retirement allowances and benefits for qualified persons employed by state-supported educational institutions. The system is administered by a board consisting of fifteen members: State Superintendent of Public Instruction (or designee), director of the Office of Management and Enterprise Services (or designee), director of the Oklahoma Department of Career and Technology Education (or designee), State Treasurer (or designee), two appointed by the governor with Senate approval, three appointed by the governor, two appointed by the president pro tempore of the Senate, two appointed by the speaker of the House of Representatives and one retired educators representative. The system was audited by other independent auditors for the year ended June 30, 2019, and their report, dated October 18, 2019, and has been previously issued under separate cover.

#### **Related Organizations and Related Parties**

Organizations, for which a primary government is accountable because the state appoints a voting majority of the board, but is not financially accountable, are considered to be related organizations. The Oklahoma Ordnance Works Authority is

a related organization of the state. The state appoints a voting majority of the Trustees of the Oklahoma Ordnance Works Authority but has no further accountability.

## **B. Government-Wide and Fund Financial Statements**

The *Government-Wide Financial Statements* (the *Statement of Net Position* and the *Statement of Activities*) report information for all the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these *Government-Wide Financial Statements*. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The state does not allocate general government (indirect) expenses to other functions.

Net position is restricted when constraints placed on it is either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the state's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are not included in the *Government-Wide Financial Statements*. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**Government-Wide Financial Statements** – The *Government-Wide Financial Statements* are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Interfund services provided and used are not eliminated in the process of consolidation.

**Governmental Fund Financial Statements** – The *Governmental Fund Financial Statements* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the state considers revenues to be available if they are collected within sixty days of the end of the current fiscal year end. Principal revenue sources considered susceptible to accrual include federal grants, interest on investments, sales and income taxes, and lease payments receivable. Some revenue items that are considered measurable and available to finance operations during the year from an accounting perspective are not available for expenditure due to the state's present appropriation system. These revenues have been accrued in accordance with GAAP since they have been earned and are expected to be collected within sixty days of the end of the period. Other revenues are considered measurable and available only when cash is received by the state.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Employees' vested annual leave is recorded as an expenditure as it is utilized. Unused reimbursable leave following an employee's resignation or retirement that is unpaid at year end is recognized as an expenditure and a liability of the fund.

- Interest on general long-term obligations is recognized when paid.
- Executory purchase orders and contracts are recorded as a commitment of fund balance.
- Debt service expenditures and claims and judgments are recorded only when payment is due.

**Proprietary Funds, Fiduciary Funds and Similar Component Units, and Component Unit Financial Statements –** The financial statements of the proprietary funds, fiduciary funds and similar component units, and component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the *Government-Wide Financial Statements* described above.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the state’s enterprise funds are requisitioned from the Oklahoma Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits, monthly premiums for self-funded insurance benefits provided to statutorily defined state employees by the Employees Group Insurance Department, interest revenue charges for loans made to local entities by the Oklahoma Water Resources Board, and the sale of lottery tickets and related chance games by the Lottery Commission. The Oklahoma Water Resources Board reports federal grants as both operating and nonoperating, depending on the types of grants received.

#### **D. Fund Accounting**

The financial activities of the state are recorded in individual funds, each of which is deemed to be a separate accounting entity. The state uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of the state that are reported in the accompanying financial statements have been classified into the following major governmental and proprietary funds. In addition, a description of the fiduciary and component units follows:

##### **1. Governmental Funds**

**General Fund** - This fund accounts for all activities of the state not specifically required to be accounted for in other funds. Included are transactions for services such as education, general government, health services, legal and judiciary, museums, natural resources, public safety and defense, regulatory services, social services, and transportation. Debt service transactions and related cash balances are reported in the general fund with balances held to service imminent debt activity presented as a component of restricted fund balance.

**Commissioners of the Land Office Permanent Fund** – This fund accounts for the land and cash granted to the state by the United States Congress for the use and benefit of educational systems in Oklahoma. This fund’s assets are held by the state and only the income derived from the principal may be expended for designated operations. The principal must be preserved intact.

**Department of Wildlife Conservation Permanent Fund** – This fund accounts for monies held in trust for the improvement and preservation of wildlife. The monies have been accumulated from the sale of lifetime hunting and fishing licenses. This fund’s assets are held by the state and only the income derived from the principal may be expended for designated operations. The principal must be preserved intact.

**Tobacco Settlement Endowment Permanent Fund** – This fund accounts for certain monies transferred from the general fund that were received in settlement of claims by the state against tobacco manufacturers. The earnings from these monies are to be utilized for research, education, prevention and treatment of tobacco related diseases and certain other health programs. The principal must be preserved intact.

## 2. Proprietary Funds

These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the general public, or where sound financial management dictates that periodic determinations of results of operations are appropriate.

**Employees Group Insurance Division of the Office of Management and Enterprise Services** provides group health, life, dental, disability and other benefits to active state employees and local government employees, as well as varying coverages for active education employees and certain participants of the state's retirement systems, survivors, and persons covered by the Consolidated Omnibus Reconciliation Act of 1985. Coverages are funded by monthly premiums paid by employers and employees.

**Employment Security Commission Enterprise Fund** - This fund accounts for the deposit of monies requisitioned from the Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits and administrative costs.

**Oklahoma Water Resources Board Enterprise Fund** - This fund is comprised of Oklahoma Water Resources Board and the Department of Environmental Quality bond issues and revolving loan programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems.

**Oklahoma Lottery Commission Enterprise Fund** – This fund operates the state-wide lottery program and related chance games, seeking to generate additional revenues for the benefit of the state's educational system.

## 3. Fiduciary Funds and Similar Component Units

The state presents as fiduciary funds those activities that account for assets held in a trustee capacity or as an agent for individuals, private organizations or other governmental units.

**Pension Trust Funds** - These funds account for the transactions, assets, liabilities, and net position of the Wildlife Conservation Retirement Plan in the primary government, and six PERS that meet the definition of a component unit of the state.

**Agency Funds** - These funds account for the assets held, primarily taxes collected, for distribution by the state as an agent for other governmental units, other organizations or individuals.

## 4. Component Units

These entities are legally separate from the state but are considered part of the reporting entity. These funds meet the definition of both a component unit and that of an enterprise fund as previously described. The six PERS meet the definition of a component unit but are presented with the other fiduciary funds of the state.

## 5. Financial Statement Reporting Periods

The accompanying financial statements of the state are presented as of June 30, 2019, and for the year then ended, except for the following funds and entities which were audited by other independent auditors.

Multiple Injury Trust Fund	12-31-18
Employees Group Insurance Department	12-31-18
Oklahoma Turnpike Authority	12-31-18
Grand River Dam Authority	12-31-18
Oklahoma Municipal Power Authority	12-31-18
Oklahoma Housing Finance Agency	09-30-18
Oklahoma Educational Television Authority	06-30-18

## **E. Budgeting and Budgetary Control**

The state's annual budget is prepared on the cash basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. In the accompanying financial statements, encumbrances are recorded as expenditures for budgetary purposes if expected to be presented for payment by November 15 following the end of the fiscal year and as a component of either restricted or committed fund balance for GAAP purposes. Since the budgetary basis differs from GAAP, budget and actual amounts in the accompanying Required Supplementary Information – Budgetary Schedules are presented on the budgetary basis. A reconciliation of revenues in excess of (less than) expenditures and other financing sources (uses) on a budgetary basis at June 30, 2019, to revenues in excess of (less than) expenditures and other financing sources (uses) presented in conformity with GAAP is set forth in the Notes to Required Supplementary Information.

The governor prepares and submits to the Legislature at the beginning of each annual legislative session a balanced budget based on budget requests prepared by the various state agencies. The general fund is the only fund for which an annual budget is legally adopted. Budgeted expenditures cannot exceed the amount available for appropriation as certified by the Oklahoma State Board of Equalization. The Legislature may modify the governor's proposed budget as it deems necessary and legally enacts an annual state budget through the passage of appropriation bills. The governor has the power to approve or veto each line item appropriation.

The legal level of budgetary control is maintained at the line item level (i.e., General Operations, Duties, etc.) identified in the appropriation acts. Budgets may be modified subject to statutory limits on transfers. The Director of the Office of Management and Enterprise Services can approve transfers of up to 25% between line items. The Contingency Review Board (a three-member board comprised of the governor, the president pro tempore of the Senate, and the Speaker of the House of Representatives) can approve transfers between line items of up to 40%. All transfers are subject to review by the Joint Legislative Committee on Budget and Program Oversight to determine if the transfer tends to effectuate or subvert the intention and objectives of the Legislature.

Current policy allows agencies to use unexpended monies for one-time purchases or non-recurring expenditures in the next fiscal year. This policy provides an incentive for agency managers to distribute resources efficiently; however, it is subject to annual approval by the Legislature. Unexpended balances not carried forward to the new fiscal year by November 15 may: 1) lapse to unrestricted balances and be available for future appropriation, 2) lapse to restricted balances and be available for future appropriations restricted for specific purposes as defined by statute, or 3) be non-fiscal, and may be spent from one to thirty months from the date of appropriation.

If revenue collections from appropriated funding sources are not sufficient to cover appropriations from the general revenue fund, the Director of the Office of Management and Enterprise Services is required to reduce the budget by the amount of such deficiency as verified by the Oklahoma State Board of Equalization. Any other changes to the budget must be approved by the Legislature. All fiscal year 2019 appropriated line items were within their authorized spending level.

## **F. Cash and Cash Equivalents**

The state uses a pooled cash concept in maintaining its bank accounts. All cash is pooled for operating and investment purposes and each fund has relative equity in the pooled amount. For reporting purposes, cash and related time deposits have been allocated to each fund based on its equity in the pooled amount. Interest earned on investments is allocated to the general fund except for those investments made specifically for the proprietary fund type, fiduciary fund type, proprietary component units, and higher education component unit, for each of which investment revenue is allocated to the investing fund.

The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the state in each such institution. The State Treasurer also promulgates all rules and regulations regarding the amount of collateral securities that must be pledged to secure public deposits.

The Oklahoma Employment Security Commission Trust Fund is maintained to account for the collection of unemployment contributions from employers and the payment of unemployment benefits to eligible claimants. As required by federal law, all resources not necessary for current benefit payments are placed on deposit with the U.S. Treasury. Interest from these resources is retained in the fund.



For purposes of reporting cash flows, cash equivalents are defined as short-term, highly liquid investments with a maturity of three months or less that are readily convertible to cash.

## **G. Investments**

Investments, which may be restricted by law or legal instruments, are under control of either the State Treasurer or other administrative bodies as determined by law.

Generally accepted accounting principles establish a fair value hierarchy for the determination and measurement of fair value. This hierarchy is based on the type of valuation inputs needed to measure the fair value of an asset. The hierarchy generally is as follows:

1. Level 1 – Unadjusted quoted prices in active markets for identical assets
2. Level 2 – Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs
3. Level 3 – Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset

## **H. Receivables**

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Governmental fund type receivables consist primarily of amounts due from the federal government. Interest and investment revenue receivable in all funds consist of revenues due on each investment. Taxes receivable in governmental funds represent taxes subject to accrual, primarily income taxes and sales taxes. Lease payments receivable in the general fund consists primarily of capital lease payments due for equipment and railroad lines owned by the Department of Transportation. Collectability of these lease payments is reasonably assured and no allowance for uncollectible amounts has been established.

Taxes receivable in enterprise funds represents unemployment taxes due at year end, net of an allowance for uncollectible amounts. The uncollectible amounts are based on collection experience and a review of the status of existing receivables.

## **I. Inter/Intrafund Transactions**

**Interfund Transactions** - The state has two types of interfund transactions:

- Services rendered transactions are accounted for as revenues and expenditures or expenses in the funds involved.
- Operating appropriations/subsidies are accounted for as transfers in the funds involved.

**Intrafund Transactions** - Intrafund transfers, as a result of contracts among departments and/or agencies within the same fund, are considered expenditures by the contractor and revenues by the contracted for budgetary purposes. The Required Supplementary Information – Budgetary Schedules includes these transactions. However, as a general rule recorded intrafund revenues and expenditures have been eliminated in the GAAP-basis *Government-Wide Financial Statements*. A portion of motor fuel excise taxes collected on fuels consumed on the state's turnpikes is made available to the Oklahoma Turnpike Authority (OTA) from the Oklahoma Tax Commission. These taxes are apportioned to OTA monthly to fund debt service, but only to the extent amounts are not otherwise available to OTA. If the motor fuel excise taxes apportioned to OTA are not needed in the month of apportionment, the taxes are transferred to the Department of Transportation (DOT). Before these monthly transfers were mandated, a balance owed to DOT had accumulated and at year end this balance is presented as a noncurrent due to other funds on the financial statements of OTA.

## **J. Inventories and Prepaid Expenses**

Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Generally, inventories are valued at cost and predominantly on either the first-in first-out or weighted average basis.

Inventories of federal surplus properties are valued at a percentage of federal acquisition cost. General fund inventories are recorded as expenditures when consumed rather than when purchased by recording adjustments to the inventory account on the balance sheet. The general fund inventories on hand at year-end are reflected as a component of nonspendable fund balance on the balance sheet, except for \$543,000 in food commodities which is recorded as inventory and unearned revenue. Upon distribution, the food commodities are recognized as revenues and expenditures of the general fund.

The value of the inventory of food commodities in the general fund is calculated by using a weighted average cost based on the U.S. Department of Agriculture commodity price list at the inventory receipt date. The value of the inventory of food stamps in the general fund is valued at coupon value.

Higher education component unit inventories are stated at the lower of cost or market, with cost being determined on either the first-in first-out or average cost basis.

Prepaid expenses are recorded using the "purchases method," meaning that they are initially recorded as expenditures. At fiscal year-end, significant amounts of prepaid expenditures are shown as a component of nonspendable fund balance, indicating they do not constitute available expendable resources.

## **K. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (which are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items), are reported in the applicable governmental or business-type activities columns in the *Government-Wide Financial Statements*. Capital assets are defined by the state as assets which have a cost of \$25,000 or more at the date of acquisition and have an expected useful life of five or more years. Purchased and constructed capital assets are valued at historical cost or estimated historical cost. Donated capital assets are recorded at their fair market value at the date of donation, unless received as part of a service concession arrangement at which point, they would be recorded at acquisition cost.

The estimates of historical costs of buildings and other improvements were based on appraised value, as of August 4, 1994, indexed to the date of acquisition. Infrastructure constructed prior to July 1, 2000, was recorded at estimated historical cost. The estimated historical cost for years 1916-2000 was based on capital outlay expenditures reported by DOT and the Federal Highway Administration, less an amount estimated for the historical cost of the acquisition of land for right-of-way. The costs of normal maintenance and repairs that do not add to the asset's value or materially extend an asset's useful life are not capitalized. Interest incurred during construction of capital facilities is not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the *Governmental Fund Financial Statements*. Depreciation expense is recorded in the *Government-Wide Financial Statements*, as well as the proprietary funds and component unit's financial statements. Capital assets, donated works of art, and similar items received in a service concession arrangement are reported at acquisition, rather than fair value.

Capital assets of the primary government and the component units are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and construction in progress. Generally, estimated useful lives are as follows:

Machinery and Equipment	3 - 20 years
Buildings and Other Improvements	7 - 60 years
Infrastructure	30 years

Collections and works of art are not included in capital assets of the primary government on the *Government-Wide Statement of Net Position*. GASB Statement number 34 does not require capitalization of collections if they meet all of the following criteria; held for public exhibition, education, or research in furtherance of service, rather than financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. The state elected not to capitalize collections and works of art since they meet all of the above conditions.

## **L. Other Assets**

Included in other assets (noncurrent for component units) are costs to be recovered from future revenues. Certain items included in the operating costs of Grand River Dam Authority, an unregulated enterprise, are recovered through rates set by the Board of Directors. Recognition of these costs, primarily depreciation on debt funded capital assets, amortization of debt discount and expense, and amortization of losses on advance refunding of long-term debt, is deferred to the extent that such costs will be included in rates charged in future years. The Oklahoma Municipal Power Authority (OMPA) enters into power sales contracts with participating municipalities that provide for billings to those municipalities for output and services of the projects. Revenues from these contracts provide for payment of current operating and maintenance expenses (excluding depreciation and amortization), as well as payment of scheduled debt principal and interest, and deposits into certain funds as prescribed in the bond resolutions. For financial reporting purposes, OMPA currently recognizes depreciation of assets financed by bond principal and amortization expense. The difference between current operating expenses and the amounts currently billed under the terms of the power sales contracts are delayed to future periods in which these amounts will be recovered through revenues.

## **M. Unearned/Unavailable Revenue**

Unearned revenues at the fund level arise when potential revenue does not meet the available criterion for recognition in the current period. Unearned revenues also arise when resources are received by the state before it has a legal claim to them. Also included in unearned revenue at both levels are the undistributed food commodity inventories. In subsequent periods, when the revenue recognition criterion is met, or when the state has a legal claim to the resources, the liability for unearned revenue is removed from the combined statement of net position or statement of fund balance, and revenue is recognized.

Available revenue is defined as due (or past due) at June 30 and collected within sixty days thereafter to pay obligations due at June 30. Revenue that is not collected within sixty days of fiscal year end is classified as unavailable and recorded as a deferred inflow on the statement of fund balance.

## **N. Compensated Absences**

Employees earn annual vacation leave at the average rate of 10 hours per month for the first 5 years of service, 12 hours per month for service of 5 to 10 years, 13.33 hours per month for service of 10 to 20 years, and 16.67 hours per month for over 20 years of service. Unused annual leave may be accumulated to a maximum of 240 hours for employees with less than 5 years of continuous service or 480 hours for employees with 5 years or more of continuous service. All accrued annual leave is payable upon termination, resignation, retirement, or death. The *Governmental Fund Financial Statements* record expenditures when employees are paid for leave. The *Government-Wide Financial Statements* present the cost of accumulated vacation leave as a liability. The liability is valued based on current rate of pay. There is no liability for unpaid accumulated sick leave since the state does not have a policy to pay this amount when employees separate from service.

## **O. Risk Management**

The Risk Management Division of the Office of Management and Enterprise Services is responsible for the acquisition and administration of all insurance purchased by the state, or administration of any self-insurance plans and programs adopted for use by the state or for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

The Risk Management Division is authorized to settle claims of the state and oversee the dispensation and/or settlement of claims against a state political subdivision. In no event shall self-insurance coverage exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Governmental Tort Claims Act. The Risk Management Department oversees the collection of liability claims owed to the state incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Risk Management Division is also charged with the responsibility to immediately notify the Attorney General of any claims against the state presented to Risk Management.

**P. Federal Grants**

In addition to monetary transactions, federal grants also include non-monetary transactions for surplus inventory, food stamps, food, and other commodities. Surplus inventory is valued at a percentage of government acquisition cost. Food stamps are valued at coupon value. Commodities are valued at their federally reported value in the general fund.

**Q. Long-Term Obligations**

**Premiums, Discounts and Issuance Costs** – In the *Government-Wide Financial Statements*, long-term debt and other long-term obligations are presented in the columns for governmental and business-type activities. The same is presented in the *Proprietary Fund Financial Statements*. Bond and note premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported in the period incurred.

In the *Governmental Fund Financial Statements*, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures in the period incurred.

**Arbitrage Rebate Liability** – The enterprise funds and component units account for any arbitrage rebate payable as a liability of the fund.

**R. Governmental Fund – Fund Balance**

The *Governmental Fund Financial Statements* present fund balance at the aggregate level of detail within the categories defined by GASB Statement number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Refer to Note 12 for further discussion.

**S. Deficit Fund Balance – Multiple Injury Trust Fund**

The Multiple Injury Trust Fund (MITF), a component unit, continues to operate in a deficit situation. MITF had total net liabilities (negative net position) of \$485,782,000 at December 31, 2018. Legislation was passed in May 2000 providing new funding for MITF through an assessment on gross premiums on workers compensation policies written by insurance carriers and an assessment on disability awards paid by self-insured employers, and further limits future awards against MITF to claimants that timely filed injury claims that occurred before June 1, 2000, against their employer. These claimants have no time limitation for filing against MITF. No new claims related to injuries subsequent to June 1, 2000, can be filed. Funding is to continue until the Workers' Compensation Commission certifies that there are sufficient funds to satisfy all outstanding obligations of MITF.

**T. Pollution Remediation Obligations**

During the fiscal year ended June 30, 2019, two agencies incurred expenses of \$521,000 for pollution obligations related to hazardous material on highways and asbestos removal, where clean-up is generally required to comply with federal regulations. This type of remediation is generally a control obligation performed as part of current operations during road construction or building renovation. There was also a liability incurred of \$2,455,000 which is included in accounts payable on the *Government-Wide Financial Statements*.

Pollution remediation obligation is determined by the agency responsible for performing the remediation. These estimates are subject to revision because of price increases or reductions, changes in technology, or changes in applicable laws or regulations. There are currently no expectations of cost recoveries from ongoing projects.

## Note 2. Deposits and Investments

The State Treasurer maintains two investment portfolios. The treasurer's portfolio is used to manage the investments of all state monies that are under the control of the treasurer where earnings accrue to the general fund of the state. The State Agency Portfolio is used for the investment of a limited number of state agencies specifically authorized by statute to direct the activities of certain funds and accounts where the earnings accrue to those funds and accounts. Ancillary to the treasurer's portfolio is an internal investment pool, OK INVEST, for all state funds and agencies that are considered part of the State of Oklahoma. All cash balances held through the State Treasurer for the primary government, component units and fiduciary funds earn a return through the OK INVEST pool program.

In accordance with statutes, the State Treasurer's investment policy allows for investments in the following categories:

United States Treasury bills, notes and bonds	Collateralized or insured certificates of deposit
United States government agency securities	Negotiable certificates of deposit
Prime banker's acceptances	Prime commercial paper
Investment grade obligations of state and local governments	Repurchase agreements
Short-term bond funds	Money market funds
Foreign bonds	

The State Treasurer's investment policy attempts to reduce portfolio risk through diversification by security, institution and maturity. Except for U.S. Treasury securities, no more than 50% of the state's total funds available for investment will be invested in a single security or with a single financial institution. In addition, the treasurer's investments will not have an average maturity greater than 4 years unless otherwise specifically designated by the treasurer. The following table outlines the State Treasurer's diversification limits designed to control various types of risk:

Investment Type	Percentage of Total Invested	Percentage of Total by Issuer	Maturity Limit	Rating
Treasuries	No Limit	No Limit	10 Years	Aaa,AAA
U.S. Government Agency Securities	50%	35%	10 Years	Aaa,AAA
U.S. Government Agency Mortgage Backed Securities	45%	No Limit	7 Years	Aaa,AAA
Collateralized or Insured Certificates of Deposit	Limit of \$20 Million per financial institution		365 Days	No Limit
Negotiable Certificates of Deposit	7.5%	2.5%	180 Days	A-1 & P-1
Banker's Acceptance	7.5%	2.5%	270 Days	A-1 & P-1
Commercial Paper	7.5%	2.5%	180 Days	A-1 & P-1
State and Local Government Obligations	10%	5.0%	30 Years	Securities must not be less than investment grade at purchase
Repurchase and Tri-party Repurchase Agreements	30%	10%	14 Days	A-1 minimum rating or equivalent
Money Market Mutual Funds	30%	10%	N/A	AAAm
Foreign Bonds	2.5%	Must be listed as an industrialized country by the International Monetary Fund	5 Years	A-/A3 or better

The primary government's three permanent funds, Commissioners of the Land Office, Department of Wildlife Lifetime Licenses and the Tobacco Settlement Endowment all have investment goals and horizons that differ from the State Treasurer. Accordingly, the investment policies for the permanent funds allow for broader classes of investments as well as extended dates of maturity.

The Employment Security Commission, Water Resources Board, Office of Management and Enterprise Services-Employees Group Insurance Division and Lottery Commission are the four business-type activities within the primary government. These agencies generally have investment policies that correlate to the operations and services that they perform. The Employment Security Commission generally will not invest outside of U.S. government securities and typically maintains deposit balances only. The Water Resources Board, Employees Group Insurance Division and Lottery Commission all operate with longer investment horizons, and as part of normal operations, will attempt to match maturities of investments with the approaching maturity of liabilities.

Due to the nature of the internal investment pool, ownership of investments cannot be assigned to individual funds, including the pension trust funds and component units. The investment pool also holds securities purchased with cash collateral from securities lending, which are not assigned to individual funds. For these reasons, total investments will not

agree to the financial statements for the primary government. The following table details the investments held by the primary government at June 30, 2019 (expressed in thousands):

**Investments - Primary Government**

Investment Type	Government Administration	Permanent Funds	Business-Type Activities	Total Primary Government
<b>POOLED INVESTMENTS</b>				
U.S. Agency & Treasury	\$ 6,282,706	\$ 3,487	\$ -	\$ 6,286,193
Money Market Mutual Funds	720,784	9,104	-	729,888
Securities Lending Collateral Pool	125,688	89,201	-	214,889
Mutual Funds	-	67,740	-	67,740
Certificates of Deposit & Commercial Paper	160,130	-	-	160,130
State & Muni Bond Issues	43,438	358	-	43,796
Foreign Corporate Bonds	29,540	-	-	29,540
<b>NON-POOLED INVESTMENTS</b>				
U.S. Agency & Treasury	15,761	527,107	83,577	626,445
Domestic Corporate Bonds	-	747,835	68,040	815,875
Foreign Corporate Bonds	-	221,178	-	221,178
Domestic Equities	21,720	1,207,342	84,327	1,313,389
Foreign Equities	-	456,043	-	456,043
Other	-	548,531	70,974	619,505
Money Market Mutual Funds	56,643	-	-	56,643
Totals	\$ 7,456,410	\$ 3,877,926	\$ 306,918	\$ 11,641,254

The primary government categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The primary government uses the market approach for valuation purposes. The following table details the fair value of investments held by the primary government at June 30, 2019 (expressed in thousands):

	<b>Primary Government Fair Value Measurements at Reporting Date Using</b>			
	<b>Amounts Measured At Fair Value</b>	<b>Quoted Prices</b>		
		<b>in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Investments Measured by Fair Value</b>				
<b>Debt Securities</b>				
U.S. Treasury, Agency & Municipal Securities	\$ 6,956,434	\$ 1,350,742	\$5,605,692	\$ -
Certificates of Deposit & Commercial Paper	160,130	160,130	-	-
U.S. Corporate Debt	815,875	-	815,875	-
Foreign Corporate Bonds	250,718	-	221,178	29,540
<b>Equity Securities</b>				
U.S. Domestic Equities	1,059,853	1,059,803	49	1
Foreign Equities	214,036	214,036	-	-
Mutual Funds	67,740	67,740	-	-
Other	459,647	194,456	186,079	79,112
<b>Total Investments Measured at Fair Value</b>	<b>\$ 9,984,433</b>			
<b>Investments Measured at Amortized Cost</b>	<b>\$ 786,531</b>			
<b>Investments Measured at Net Asset Value</b>	<b>\$ 655,401</b>			

## Fiduciary Funds and Similar Component Units

The fiduciary funds of the state have investment goals that vary significantly from the primary government. Due to the long-term nature of these funds, investment options are broader, and maturities can be longer than that of the primary government. These funds generally have investment policies allowing for investments in stocks, bonds, fixed income securities and other investment securities including commingled, mutual and index funds. Generally, policies allow for a portion of investments to be held in securities of foreign companies and countries. Policies also allow for portions of the total portfolio to be held in derivatives and derivative like investments such as U.S. Treasury Strips, collateralized mortgage obligations, convertible securities and variable rate instruments.

The fiduciary funds categorize fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment. The following table details the fair value of investments held by the fiduciary funds at June 30, 2019 (expressed in thousands):

	Amounts Measured At Fair Value	Pension Trust Funds Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments Measured by Fair Value</b>				
Debt Securities				
U.S. Treasury, Agency & Municipal Securities	\$ 3,673,744	\$ 324,569	\$ 3,349,175	\$ -
U.S. Corporate Debt	3,853,359	-	3,822,783	30,576
Foreign Corporate Bonds	386,300	-	174,634	211,666
Equity Securities				
U.S. Domestic Equities	14,887,326	13,570,053	980,256	337,017
Foreign Equities	1,891,268	1,267,076	624,192	-
Other	521,647	5,950	-	515,697
<b>Total Investments Measured at Fair Value</b>	<u>\$ 25,213,644</u>			
<b>Investments Measured at Amortized Cost</b>	<u>\$ -</u>			
<b>Investments Measured at Net Asset Value</b>	<u>\$ 8,357,434</u>			

## Component Units

The component units of the state have varied investment goals based on the demands of their specific enterprise, and commonly have investment policies that allow for broader asset classes and longer maturities than that of the primary government. Various finance authorities invest in attempt to match targeted returns to the maturity of liabilities. The higher education component unit is comprised of numerous foundations that invest in order to maximize gains for the institutions that they support. These foundations may also hold assets of different classes as part of donor restrictions and covenants. The component units categorize fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment. The following table details the fair value of investments held by component units at June 30, 2019 (expressed in thousands):

	<b>Component Units Fair Value Measurements at Reporting Date Using</b>			
	<b>Amounts Measured At Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Investments Measured by Fair Value</b>				
Debt Securities				
U.S. Treasury, Agency & Municipal Securities	\$ 1,032,752	\$ 786,392	\$ 246,333	\$ 27
U.S. Corporate Debt	116,391	102,564	13,827	-
Foreign Corporate Bonds	99,788	99,788	-	-
Equity Securities				
U.S. Domestic Equities	937,575	681,236	153	256,186
Foreign Equities	108,796	108,796	-	-
Other	<u>985,902</u>	77,874	568,861	339,167
<b>Total Investments Measured at Fair Value</b>	<u><u>\$ 3,281,204</u></u>			
<b>Investments Measured at Amortized Cost</b>	<u><u>\$ 309,155</u></u>			
<b>Investments Measured at Net Asset Value</b>	<u><u>\$ 2,187,269</u></u>			

#### A. Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the state will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, not registered in the name of the state, or held by the counterparty or its trust department but not in the state's name.

#### Primary Government

The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the state in each such institution. The amount of collateral securities to be pledged for the security of public deposits is established by rules promulgated by the State Treasurer. In accordance with the Office of State Treasurer's policies, the collateral securities to be pledged by financial institutions through the Office of the State Treasurer are pledged at market value and must be at 110% of value to collateralize the amount on deposit, less any federal insurance coverage. All investments held by the State Treasurer are insured, registered, or held in the name of the State Treasurer.

As of June 30, 2019, the primary government's bank balances of deposits are fully insured or collateralized with securities held by an agent of the state in the state's name. In addition to these deposits, the state has approximately \$1,132,994,000 on deposit with the U.S. government. These funds represent unemployment insurance taxes collected from Oklahoma employers that are held by the U.S. Treasury. The book value of deposits does not materially differ from the bank balance.

#### Fiduciary Funds and Similar Component Units

The pension trust funds, fiduciary component units of the state, have investment policies that do not specifically address custodial credit risk of deposits and investments. However, each pension trust fund utilizes multiple investment managers and limits cash and short-term investments to no more than 5% of each investment manager's portfolio. At June 30, 2019, the pension trust funds had deposits and cash equivalents of \$756,879,000 of which \$17,185,000 were uninsured and uncollateralized.



## Component Units

Generally, the component units of the state have investment policies that do not specifically address or limit custodial credit risk of deposits and investments. All component units typically follow the diversification and securitization of deposit policies defined by the State Treasurer in an effort to minimize custodial credit risk.

### B. Credit Risk

Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the debt instrument issuer's ability to meet its obligation. The state, its fiduciary funds and component units utilize the credit quality ratings issued by Moody's, Standard and Poor's (S&P), or Fitch in determining the risk associated with its fixed-income investments. Obligations of the U.S. government or those explicitly guaranteed by the U.S. government are not considered to have credit risk. Certain debt instruments are commingled investments that do not have an applicable credit risk rating. These investments are presented as not rated in the accompanying tables.

### Primary Government

As outlined in an earlier table, the State Treasurer seeks to hold investments with a rating of A or higher as rated by Moody's. Generally, the Permanent Funds and the business-type activities seek to maintain the same or higher rating. The Water Resources Board, which has a high concentration of investments with one issuer, requires that issuer to maintain an average credit rating of AA or higher. Should this issuer's rating fall below AA, it is required to collateralize the guaranteed investments sufficient to maintain an AA rating on the contracts. At June 30, 2019, the primary government had the following investments subject to credit risk (expressed in thousands):

#### Credit Risk - Primary Government

Investment Rating Moody's/S&P/Fitch	U.S. Treasury, Agency and Municipal Securities	International Government Securities	U.S. Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ 5,449,465	\$ -	\$ 63,295	\$ -	\$ 5,512,760
Aa/AA/AA	2,206,711	1,060	33,966	4,475	2,246,212
A/A/A	3,827	849	137,165	44,196	186,037
Baa/BBB/BBB	2,080	2,534	246,179	66,255	317,048
Ba/BB/BB	-	180	151,223	61,285	212,688
B/B/B	-	2,514	144,474	28,219	175,207
Caa/CCC/CCC	-	368	13,716	5,802	19,886
Ca/CC/CC	-	-	649	21	670
C/C/C	-	-	350	-	350
Not Rated/Not Applicable	14,354	-	90,605	33,741	138,700
Total	\$ 7,676,437	\$ 7,505	\$ 881,622	\$ 243,994	\$ 8,809,558

### Fiduciary Funds and Similar Component Units

The pension trust funds typically hold a significant portion of assets in the form of debt instruments. Each pension trust fund has an investment policy governing their credit risk exposure. Generally, at the time of purchase, investments in domestic fixed-income investments must carry the highest rating either Aaa, (Moody's) or AAA, (S&P, Fitch) as determined by the national rating organizations. International debt instruments must be Baa or BBB at the time of purchase. Overall, each investment policy generally requires that an average credit quality rating of A or higher be maintained for total debt instrument holdings. At June 30, 2019, the pension trust funds had the following credit risk exposure (expressed in thousands):

### Credit Risk - Pension Trust Funds

Investment Rating Moody's/S&P/Fitch	U.S. Treasury, Agency and Municipal Securities	International Government Securities	U.S. Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ 3,194,258	\$ -	\$ 408,955	\$ 7,295	\$ 3,610,508
Aa/AA/AA	14,562	-	207,670	3,624	225,856
A/A/A	24,133	568	698,150	124,209	847,060
Baa/BBB/BBB	15,600	14,543	1,360,933	14,294	1,405,370
Ba/BB/BB	1,128	-	455,764	137,424	594,316
B/B/B	17,367	-	231,177	1,033	249,577
Caa/CCC/CCC	9,894	-	44,228	-	54,122
Ca/CC/CC	-	-	918	-	918
D/D/D	-	-	1,906	-	1,906
Not Rated/Not Applicable	732,463	-	443,658	83,310	1,259,431
Total	<u>\$ 4,009,405</u>	<u>\$ 15,111</u>	<u>\$ 3,853,359</u>	<u>\$ 371,189</u>	<u>\$ 8,249,064</u>

### Component Units

The component units usually hold a significant portion of their respective portfolios in debt instruments. Each component unit has an investment policy governing credit risk. As a general rule, the component units have more liberal investment policies than the primary government that allow for greater levels of credit risk regarding debt securities. Foundations within the higher education component unit also hold a significant portion of their total debt portfolio as either bond funds or money market mutual funds. These debt instruments are generally pooled or commingled investments and are not subject to credit risk disclosures. Investments in U.S. government securities are not subject to credit risk. At June 30, 2019, the component units had the following credit risk exposure (expressed in thousands):

#### Credit Risk - Component Units

Investment Rating Moody's/S&P/Fitch	U.S. Treasury, Agency and Municipal Securities	International Government Securities	U.S. Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ 757,233	\$ -	\$ 41,632	\$ -	\$ 798,865
Aa/AA/AA	26	-	40,187	-	40,213
Ba/BB/BB	-	-	45,914	-	45,914
Not Rated/Not Applicable	285,551	-	295,872	99,788	681,211
Total	<u>\$ 1,042,810</u>	<u>\$ -</u>	<u>\$ 423,605</u>	<u>\$ 99,788</u>	<u>\$ 1,566,203</u>

### C. Concentration of Credit Risk

#### Primary Government

The State Treasurer's investment policy seeks to mitigate concentration of credit risk through targeted diversification limits as outlined earlier in this note. With the exception of U.S. Treasury securities, no more than 50% of the state's total funds available for investment will be invested in a single security type or with a single financial institution. The Water Resources Board, a business-type activity of the primary government, has no policy limiting amounts that may be invested in one issuer.

#### D. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. Duration is a measure of a debt instrument's exposure to fair value changes arising from changes in interest rates based on the present value of future cash flows, weighted for those cash flows as a percentage of the investment's full price. Modified duration estimates the sensitivity of a bond's price to interest rate changes. The state, its fiduciary funds, and component units use either duration, modified duration or weighted average years outstanding as the standard measures for assessing interest rate risk. Generally, the longer the duration or years outstanding, the greater sensitivity an investment has to interest rate risk.

## Primary Government

As outlined in a previous table, the State Treasurer follows an investment policy seeking to keep the average maturity for its entire portfolio to less than four years. The permanent funds and the business-type activities of the primary government do not have the same liquidity demands as the treasurer, and as a matter of policy are not as restrictive regarding maturities. At June 30, 2019, the primary government had the following investments with maturities (expressed in thousands):

Weighted Average Years to Maturity	U.S. Treasury, Agency and Municipal Securities	International Government Instruments	U.S. Corporate Debt Instruments	International Debt Instruments	Total
Less than 1 year Weighted Average to Maturity	\$ 722,988	\$ -	\$ 9,562	\$ -	\$ 732,550
1 - 5 years	6,718,487	-	755,157	54,694	7,528,338
6 - 10 years	120,520	7,505	59,978	189,300	377,303
10 or more years	46,294	-	437	-	46,731
No Maturity or Not Applicable	68,148	-	56,488	-	124,636
Total	\$ 7,676,437	\$ 7,505	\$ 881,622	\$ 243,994	\$ 8,809,558

## Fiduciary Funds and Similar Component Units

The pension trust funds generally do not have a formal investment policy on interest rate risk. However, interest rate risk is generally controlled through diversification of portfolio management styles. Each pension trust fund reviews the performance of each investment manager, and monitors the interest rate risk as part of the performance assessment. At June 30, 2019, the pension trust funds had the following exposure to interest rate risk (expressed in thousands):

Duration or Weighted Average Years	U.S. Treasury, Agency and Municipal Securities	International Government Securities	U.S. Corporate Debt Instruments	International Debt Instruments	Total
Less than 1 year duration	\$ 3,104	\$ -	\$ 24,893	\$ 143,827	\$ 171,824
1 - 5 years	1,458,513	-	946,815	98,968	2,504,296
6 - 10 years	378,038	15,111	2,631,746	16,926	3,041,821
10 or more years	2,169,545	-	161,642	28,952	2,360,139
No Duration	205	-	88,263	82,516	170,984
Total	\$ 4,009,405	\$ 15,111	\$ 3,853,359	\$ 371,189	\$ 8,249,064

## Component Units

The state's component units typically have board approved investment policies designed to manage exposure to fair value losses that arise from interest rate risk. The policies of the various component units can differ significantly since each investment policy is designed to match the portfolio objectives for that component unit. A substantial portion of the component units' holdings in debt instruments is in money market mutual funds and bond mutual funds with demand maturities which are presented below as not having an applicable maturity. On June 30, 2019, the component units had the following interest rate risk exposure (expressed in thousands):

Weighted Average Years to Maturity	U.S. Treasury, Agency and Municipal Securities	International Government Securities	U.S. Corporate Debt Instruments	International Debt Instruments	Total
Less than 1 year Weighted Average to Maturity	\$ 187,295	\$ -	\$ 21,238	\$ -	\$ 208,533
1 - 5 years	422,373	-	62,444	-	484,817
6 - 10 years	109,842	-	47,908	-	157,750
10 or more years	20,172	-	3,443	-	23,615
No Maturity or Not Applicable	303,128	-	288,572	99,788	691,488
Total	\$ 1,042,810	\$ -	\$ 423,605	\$ 99,788	\$ 1,566,203

## E. Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of a deposit or investment. The state, its fiduciary funds and component units typically make investments in foreign securities to achieve an additional level of diversification within the various portfolios under management. Foreign currencies held as cash and cash equivalents are usually held to limit losses in foreign investments due to fluctuations in currency values.

### Primary Government

The general government is not invested in securities that are exposed to foreign currency risk; however, the permanent funds have policies that will typically allow a portion of the total portfolio to be invested in international securities in an effort to improve diversification and total returns. The business-type activity's investing policies do not specifically address foreign investments, and they will typically not hold any international securities. At June 30, 2019, the primary government had the following foreign currency risk (expressed in thousands):

Foreign Currency Risk - Primary Government

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Australian dollar	\$ -	\$ 127	\$ -	\$ 127
Argentine peso	-	1,661	49	1,710
Brazilian real	6,720	180	1	6,901
British pound sterling	32,443	3,881	31	36,355
Bermudian dollar	384	311	-	695
Canadian dollar	-	4,156	48	4,204
Cayman dollar	11,675	817	-	12,492
Columbian peso	-	93	2	95
Danish krone	2,963	-	-	2,963
Egyptian pound	-	211	-	211
Euro	69,359	9,579	552	79,490
Ghana cedi	-	254	-	254
Honduran lempira	-	221	-	221
Hong Kong dollar	6,671	-	-	6,671
Indian rupee	5,223	-	-	5,223
Indonesian rupiah	-	751	89	840
Japanese yen	23,798	-	-	23,798
Jersey pound	16	180	-	196
Korean won	6,203	912	-	7,115
Liberian dollar	-	1,318	-	1,318
Mexican nuevo peso	-	1,974	53	2,027
Multiple	-	294	-	294
Netherlands Antillean guilder	1,865	203	-	2,068
New Taiwan dollar	5,435	-	-	5,435
New Zealand dollar	3,374	-	-	3,374
Nigerian naira	-	199	-	199
Norwegian krone	6,461	-	-	6,461
Peruvian nuevo sol	-	230	-	230
Russian ruble	-	1,092	130	1,222
Saudi riyal	-	1,510	-	1,510
Singapore dollar	-	3,884	-	3,884
South African rand	-	687	63	750
Swiss franc	25,095	222	-	25,317
Turkish lira	-	617	112	729
UAE Dirham	-	233	-	233
Virgin Islands dollar	21	265	-	286
Yuan renminbi	2,446	-	-	2,446
Totals	\$ 210,152	\$ 36,062	\$ 1,130	\$ 247,344

## Fiduciary Funds and Similar Component Units

The pension and other employee benefit trust funds generally have investment policies regarding limits on the amount of foreign securities that can be held within their respective portfolios. The trust funds have a significantly longer time frame for achieving their investment goals, and investments in foreign securities offer an additional level of diversification, as well as provide the opportunity for increased returns. Typically, holdings in foreign currencies are used to limit losses on foreign securities due to currency fluctuations. The trust funds had the following foreign currency risk at June 30, 2019, (expressed in thousands):

### Foreign Currency Risk - Pension Trust Funds

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Argentine peso	\$ 1,600	\$ 2,016	\$ 173	\$ 3,789
Australian dollar	127,256	8,635	11	135,902
Bermudian dollar	2,380	-	-	2,380
Brazilian real	52,701	8,683	101	61,485
British pound sterling	603,170	(32)	152	603,290
Canadian dollar	130,371	298	103	130,772
Chilean peso	1,345	-	-	1,345
Chinese yuan	38,293	-	15	38,308
Czech koruna	1,308	-	-	1,308
Danish krone	53,523	-	-	53,523
Euro	954,748	952	1,046	956,746
Hong Kong dollar	293,590	-	533	294,123
Hungarian forint	6,547	4,768	106	11,421
Indian rupee	12,691	-	-	12,691
Indonesian rupiah	21,796	6,335	126	28,257
Israeli shekel	6,697	-	-	6,697
Japanese yen	673,164	(273)	1,507	674,398
Malaysian ringgit	15,192	18,173	-	33,365
Mexican peso	24,402	23,341	90	47,833
New Israeli shekel	8,608	-	-	8,608
New Taiwan dollar	97,826	(791)	-	97,035
New Turkish lira	-	-	137	137
New Zealand dollar	645	-	-	645
Norwegian krone	19,255	9,383	-	28,638
Philippines peso	3,736	-	-	3,736
Polish zloty	2,594	14,299	-	16,893
Puerto Rican dollar	899	-	-	899
Qatari rial	1,587	-	-	1,587
Singapore dollar	62,421	-	236	62,657
South African rand	30,888	7,960	-	38,848
South Korean won	118,224	(174)	43	118,093
Swedish krona	62,786	109	-	62,895
Swiss franc	243,368	-	442	243,810
Thai baht	18,299	371	-	18,670
Turkish lira	9,456	-	-	9,456
UAE dirham	2,221	-	-	2,221
Totals	\$ 3,703,587	\$ 104,053	\$ 4,821	\$ 3,812,461

## **Securities Lending Definition**

In a securities lending transaction, securities are loaned to approved brokers through a securities lending agreement with a simultaneous agreement to return collateral for the same security in the future.

## **Securities Lending Activity - Primary Government**

Oklahoma State Statute Title 62, Section 90 authorizes the Office of the State Treasurer to participate in securities lending transactions. All securities held by Northern Trust, as trustee or custodian, may be lent in the securities lending program unless specifically excluded by the Office of the State Treasurer.

During the fiscal year ended June 30, 2019, securities lending agents lent primarily U.S. government securities. Cash and U.S. government securities were provided as collateral for the securities lent. Generally, collateral must equal at least 100% of the fair value of the securities loaned. At June 30, 2019, there were no securities on loan. The collateral balance of \$125,688,000 represents cash collateral that is invested in U.S. government securities and is included as an asset on the balance sheet with an offsetting liability for the return of collateral.

At June 30, 2019, there was no credit risk exposure to borrowers because the amounts the primary government owes the borrowers exceed the amounts the borrowers owe the primary government. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, that resulted from the default of a borrower or the lending agent. Because these transactions are terminable at will, their duration generally did not match the duration of the investments made with cash collateral.

The Tobacco Settlement Endowment Trust Fund, a permanent fund, participates in securities lending as defined by its investment policy. During the year, the Tobacco Trust lent U.S. government securities, corporate debt, and domestic and foreign equities. Collateral was provided as cash for securities lent. Collateral must equal at least 102% of the market value of securities lent unless the principal market for the collateral is outside the United States, in which case a margin of 105% must be maintained. At June 30, 2019, the fair value of securities on loan was \$85,932,000. The collateral for securities lent had a market value of \$89,201,000. The investment made with cash collateral had an average maturity of one day and did not match the duration of the security on loan since the loans are terminable at will. There was no credit risk to borrowers.

## **Securities Lending Activity - Fiduciary Funds and Similar Component Units**

The six Public Employees Retirement Systems (PERS) participate in securities lending transactions as provided by their respective investment policies. During the fiscal year ended June 30, 2019, securities lending agents lent primarily U.S. government securities, equity securities, and debt securities. Cash, U.S. government securities, and letters of credit were provided as collateral for the securities lent. Generally, collateral must be provided in the amount of 102% of the fair value of the securities loaned. In certain instances collateral must be provided in the amount of 105% when the principal trading market for the loaned securities is outside the United States. At June 30, 2019, the carrying amount and fair value of securities on loan was approximately \$2,234,048,000. The underlying collateral for these securities had a fair value of approximately \$2,270,637,000. Collateral of securities and letters of credit represented approximately \$218,424,000 of total collateral. These securities and letters of credit cannot be sold or pledged unless the borrower defaults, therefore the collateral and related liability is not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in short-term investment pools and is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

At June 30, 2019, there was no credit risk exposure to borrowers because the amounts the fiduciary funds owe the borrowers exceed the amounts the borrowers owe the fiduciary funds. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, resulting from the default of a borrower or the lending agent. Investment policies do not require the maturities of investments made with cash collateral to match the maturities of securities lent; however, investment policies may establish minimum levels of liquidity to minimize the interest rate risk associated with not matching the maturity of the investments with the loans. Generally, their duration did not match the duration of the investments made with cash collateral.

## Derivative Investments Definition

Derivatives are often complex financial arrangements used to manage specific risks or to act as investments. Derivatives can act as hedges to more effectively manage cash flow or act as investments thereby increasing or decreasing exposure to certain types of investments.

## Derivative Investments - Primary Government

Certain state agencies utilize derivative investments as tools to efficiently and effectively manage domestic, international and fixed income investments within their respective portfolios. Investments for the Tobacco Settlement Endowment Trust Fund are reported at fair value based on the cash flows from interest and principal payments. The notional amount, financial statement classification and fair value balance of derivatives outstanding at June 30, 2019, and the change in fair value of such derivatives for the year then ended are as follows (expressed in thousands):

Permanent Fund	Derivative Instrument	Notional Amount	Fair Value		Change in Fair Value	
			Classification	Amount	Classification	Amount
Tobacco Settlement Trust	Foreign Currency Forward Contracts	\$ (8,142)	Net Receivable	\$ 62	Investment Income	\$ (665)

## Derivative Investments - Fiduciary Funds and Similar Component Units

Several of the state's PERS utilize derivative investments as tools to efficiently and effectively manage domestic, international and fixed income investments within their respective portfolios. The notional amount, financial statement classification and fair value balance of derivatives outstanding at June 30, 2019, and the change in fair value of such derivatives for the year then ended are as follows (expressed in thousands):

Pension System	Derivative Instrument	Notional Amount	Fair Value		Change in Fair Value	
			Classification	Amount	Classification	Amount
Firefighters Pension and Retirement System (OFPRS)	Foreign Currency Forward Contracts	\$ 105,596	Net Payable	\$ 226	Investment Income	\$ (4,436)
Teachers' Retirement System (TRS)	Foreign Currency Forward Contracts	247,336	Investment	248,934	Investment Income	1,597

The OFPRS system uses foreign currency forward contracts primarily to hedge foreign currency exposure. The fair values of all OFPRS derivative instruments are determined from market quotes of the instruments or similar instruments. The receivable is net of gross receivables of \$879,000 and liabilities of \$653,000. The gross receivables are supported by collateral in investments valued at \$879,000 with a credit risk rating of A by S&P and A2 by Moody's. The foreign currency forward contracts for the TRS subject the system to foreign currency risk because the investments are denominated in foreign currencies. The fair values of foreign currency forward contracts for TRS are estimated based on the present value of their estimated cash flows.

## Derivative Investments - Component Units

The component units of the state have varied investment goals based on the demands of their specific operations and commonly have investment policies allowing for greater investment diversity and risk. Certain component units and foundations with the higher education component unit will utilize derivative investments on occasion to secure specific returns matched to maturing liabilities to mitigate overall portfolio risk.





<b>Total Due From Other Funds:</b>		<b>Total Due To Other Funds:</b>	
Wildlife Lifetime Licenses	\$ 89	Tobacco Settlement Endowment	\$ 46
Enterprise Funds	43	Enterprise Funds	4,328
Fiduciary Funds	85,164	Fiduciary Funds	73
Component Unit Funds	49,725	Component Unit Funds	55,055
General Fund Due From Permanent Funds	46	General Fund Due To Permanent Funds	89
Component Units Due From Permanent Funds	2,785	Due To Enterprise Funds	
Due From Enterprise Funds		General Fund	74
General Fund	4,328	Due To Fiduciary Funds	
Fiduciary	1,380	General Fund	85,164
Component Unit Funds	6	Proprietary Funds	1,380
Due From Fiduciary Funds		Component Unit Funds	741
General Fund	73	Due To Component Units	
Component Unit Funds	1	General Fund	51,009
Due From Component Units		Permanent Funds	2,785
General Fund □	55,055	Proprietary Funds	6
Fiduciary Funds	741	Fiduciary	1
Other Component Unit Funds	12,739	Component Unit Funds	12,599
<b>Total Interfund Receivables per Financial Statements</b>	<b><u>\$ 212,175</u></b>	Total Interfund Payables per Financial Statements	\$ 213,350
		Timing Differences, Fiscal Year Ending	
		December 31, 2018: Component Units	(1,175)
		<b>Total Interfund Payables</b>	<b><u>\$ 212,175</u></b>

The general fund due from other funds includes \$52,603,000 from Oklahoma Turnpike Authority (\$54,402,000 at December 31, 2018) for a portion of motor fuel excise taxes collected on fuels consumed on turnpikes. The balance accumulates and is payable when certain Oklahoma Turnpike Authority revenue bonds payable have been paid in full. The Wildlife Lifetime Licenses Permanent Fund is due \$89,000 from the general fund for legislative mandated transfer of earnings on certain funds.

Remaining interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded, and payment between funds are made.

## B. Notes Payable and Capital Leases

The higher education component unit has entered into capital lease agreements with the general fund's Oklahoma Capital Improvement Authority to lease various facilities, equipment and improvements. The capital lease outstanding balances are \$328,509,000.

## C. Interfund Transfers

A summary of interfund transfers for the fiscal year ended June 30, 2019, follows (expressed in thousands):

Transfers From (Out)	Transfers To (In)	For (Purpose)	Amount
<b>Governmental Funds:</b>			
General Fund	Oklahoma Water Resources Board	Payment for administrative costs	\$ 7,352
		Total transfers out of the General Fund	<u>\$ 7,352</u>
<b>Proprietary Funds:</b>			
Oklahoma Water Resources Board	General Fund	Restricted investment revenue	\$ 7,354
Oklahoma Lottery Commission	General Fund	Transfer for expendible earnings	67,554
		Total Transfers in to the General Fund	<u>\$ 74,908</u>
		Net Transfers In/Out - General Fund	<u>\$ 67,556</u>

## Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2019, is as follows (expressed in thousands):

### Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, nondepreciable				
Land	\$ 1,837,263	\$ 58,852	\$ (2,112)	\$ 1,894,003
Construction in progress	269,580	72,092	(113,852)	227,820
Total capital assets, nondepreciable	<u>\$ 2,106,843</u>	<u>\$ 130,944</u>	<u>\$ (115,964)</u>	<u>\$ 2,121,823</u>
Capital assets, depreciable:				
Buildings and improvements	\$ 1,661,530	\$ 25,106	\$ (3,876)	\$ 1,682,760
Equipment	564,702	32,862	(25,300)	572,264
Infrastructure	20,003,313	679,064	(1,784)	20,680,593
Total capital assets, depreciable	<u>\$ 22,229,545</u>	<u>\$ 737,032</u>	<u>\$ (30,960)</u>	<u>\$ 22,935,617</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ (785,707)	\$ (32,257)	\$ 1,538	\$ (816,426)
Equipment	(419,340)	(34,211)	16,012	(437,539)
Infrastructure	(10,871,982)	(513,568)	1,011	(11,384,539)
Total accumulated depreciation	<u>\$ (12,077,029)</u>	<u>\$ (580,036)</u>	<u>\$ 18,561</u>	<u>\$ (12,638,504)</u>
Total capital assets, depreciable, net	<u>\$ 10,152,516</u>	<u>\$ 156,996</u>	<u>\$ (12,399)</u>	<u>\$ 10,297,113</u>
Governmental activities capital assets, net	<u>\$ 12,259,359</u>	<u>\$ 287,940</u>	<u>\$ (128,363)</u>	<u>\$ 12,418,936</u>
<b>Business-type activities:</b>				
Capital assets, depreciable:				
Equipment	\$ 6,719	\$ 247	\$ -	\$ 6,966
Total capital assets, depreciable	<u>\$ 6,719</u>	<u>\$ 247</u>	<u>\$ -</u>	<u>\$ 6,966</u>
Less accumulated depreciation for:				
Equipment	(4,634)	(789)	-	(5,423)
Total accumulated depreciation	<u>\$ (4,634)</u>	<u>\$ (789)</u>	<u>\$ -</u>	<u>\$ (5,423)</u>
Business-type activities capital assets, net	<u>\$ 2,085</u>	<u>\$ (542)</u>	<u>\$ -</u>	<u>\$ 1,543</u>

Current period depreciation expense was charged to functions of the primary government as follows (expressed in thousands):

<b>Government Activities:</b>	
Education	\$ 942
General government	12,109
Health services	7,534
Legal and judiciary	316
Museums	139
Natural resources	11,709
Public safety and defense	18,783
Regulatory services	164
Social services	3,601
Transportation	524,739
Total depreciation expense - Governmental Activities	<u>\$ 580,036</u>
<b>Business-type Activities:</b>	
Government administration	\$ 647
Natural resources	142
Total depreciation expense - Business-type Activities	<u>\$ 789</u>

### Component Units

Capital asset activity for the year ended June 30, 2019, (December 31, 2018, or September 30, 2018, for those entities identified in Item D of Note 1) was as follows (expressed in thousands):

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, nondepreciable:				
Land	\$ 475,467	\$ 56,023	\$ (2,719)	\$ 528,771
Construction in progress	665,523	606,087	(421,810)	849,800
Total capital assets, nondepreciable	<u>\$ 1,140,990</u>	<u>\$ 662,110</u>	<u>\$ (424,529)</u>	<u>\$ 1,378,571</u>
Capital assets, depreciable				
Buildings and improvements	\$ 10,737,633	\$ 372,453	\$ (30,175)	\$ 11,079,911
Equipment	1,854,422	110,228	(100,902)	1,863,748
Infrastructure	2,787,584	139,980	(26,172)	2,901,392
Total capital assets, depreciable	<u>\$ 15,379,639</u>	<u>\$ 622,661</u>	<u>\$ (157,249)</u>	<u>\$ 15,845,051</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ (4,148,827)	\$ (294,540)	\$ 18,017	\$ (4,425,350)
Equipment	(1,349,415)	(97,744)	81,467	(1,365,692)
Infrastructure	(1,807,228)	(95,117)	22,795	(1,879,550)
Total accumulated depreciation	<u>\$ (7,305,470)</u>	<u>\$ (487,401)</u>	<u>\$ 122,279</u>	<u>\$ (7,670,592)</u>
Total capital assets, depreciable, net	<u>\$ 8,074,169</u>	<u>\$ 135,260</u>	<u>\$ (34,970)</u>	<u>\$ 8,174,459</u>
Capital assets, net	<u>\$ 9,215,159</u>	<u>\$ 797,370</u>	<u>\$ (459,499)</u>	<u>\$ 9,553,030</u>

## **Note 6. Risk Management and Insurance**

It is the policy of the state to cover the risk of losses to which it may be exposed through risk management activities. In general, the state is self-insured for health care claims (except for employee participation in certain health maintenance organizations), workers' compensation, and second injury workers' compensation. The state is also self-insured against tort and auto liability and property losses, with commercial insurance policies for losses that fall outside of coverage limits or are in excess of the self-insured retention.

Coverage for health care claims and workers' compensation is provided by two entities of the state. The Employees Group Insurance Division (EGID), a division of the Office of Management and Enterprise Services (OMES), manages a legal trust which provides group health, life, dental, and disability benefits to the state's employees and certain other eligible participants. Effective January 1, 2015, the Risk Management Division (RMD), part of Capital Assets Management, a division of OMES, was authorized to handle Workers' Compensation for all state agencies when House Bill 2009 was signed into law during 2014. RMD Consolidated Workers' Compensation Program began operating on July 1, 2015.

Coverage for second injury workers' compensation is provided by a discretely presented component unit. The Multiple Injury Trust Fund (MITF) was created to encourage the hiring of individuals with a pre-existing disability and to protect those employers from liability for the pre-existing disability. MITF records a liability for outstanding court awards only as those amounts are awarded by the Workers' Compensation Court of Existing Claims (WCCEC) for permanent total disability awards. There is no provision for incurred but not reported claims or claims pending WCCEC determination. Claims and Judgments which were due and owing at December 31, 2018, have been charged to operations for the year ended December 31, 2018. At year end, the MITF loss liability exceeded net position. MITF was indebted to claimants for court awarded judgments. Only those judgments currently payable in arrears bear interest. The rate, set by the state, is the Treasury bill rate plus 4% to be updated annually.

Coverage for liability and property losses is provided by RMD. RMD administers a self-insurance program to protect the state, its agencies, colleges, and universities against tort and auto liability claims. Coverage and limits under this program correspond directly with the Oklahoma Governmental Tort Claims Act. RMD purchases commercial liability insurance for losses that fall outside of the Oklahoma Governmental Tort Claims Act. RMD also provides a property insurance program for all agencies, colleges, and universities through a combination of a high self-insured retention and commercial insurance policies in excess of the self-insured retention. Coverage limits are \$1 billion for each occurrence subject to coverage terms and conditions. Commercial insurance is purchased to protect the state's fine arts and physical damage to its automobiles. Additionally, RMD purchases a government crime policy, i.e., employee dishonesty policy.

The amount of settlements from commercial insurance did not exceed insurance coverage in any of the past three fiscal years.

Except for MITF, estimates relating to incurred but not reported claims, as well as other probable and estimable losses are included in accrued liabilities for each fund. None of the funds have included non-incremental claims adjustment expense as part of accrued liabilities. Because actual claims liabilities are impacted by complex factors including inflation, changes in legal doctrines, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, and other economic and social factors.

The general fund self-insurance loss liability for RMD represents an estimate of amounts to be paid from economic financial resources.

The following table presents the changes in claims liability balances (both current and noncurrent) during the current fiscal year ended June 30, 2019, (December 31, 2018, for EGID and MITF) and the prior fiscal year, (expressed in thousands):

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
<b>Current Fiscal Year</b>						
General Fund -						
Office of Management and Enterprise Services (RMD)	\$ 70,685	\$ 17,764	\$ (23,039)	\$ 65,410	\$ 42,371	\$ 23,039
Proprietary Fund -						
Office of Management and Enterprise Services (EGID)	\$ 120,449	\$ 1,031,515	\$ (1,005,522)	\$ 146,442	\$ 8,418	\$ 138,024
Component Unit - *						
Multiple Injury Trust Fund	\$ 471,363	\$ 69,155	\$ (45,019)	\$ 495,499	\$ 449,510	\$ 45,989

\* The higher education component unit's claims and judgments (\$3,198 – noncurrent) are for accrued liabilities not related to risk management.

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
<b>Prior Fiscal Year</b>						
General Fund -						
Office of Management and Enterprise Services (RMD)	\$ 66,783	\$ 20,500	\$ (16,598)	\$ 70,685	\$ 54,087	\$ 16,598
Proprietary Fund -						
Office of Management and Enterprise Services (EGID)	\$ 135,216	\$ 1,012,148	\$ (1,026,915)	\$ 120,449	\$ 9,731	\$ 110,718
Component Unit -						
Multiple Injury Trust Fund	\$ 424,131	\$ 87,704	\$ (40,472)	\$ 471,363	\$ 427,723	\$ 43,640

### Public Entity Risk Pool – Employees Group Insurance Division

The state operates EGID, a public entity risk pool.

#### A. Description of Plan

EGID provides group health, dental, life, and disability benefits to active state employees and local government employees, as well as varying coverages for active education employees and certain participants of the state's retirement systems, survivors, and persons covered by the Consolidated Omnibus Budget Reconciliation Act of 1985. Disability coverage is available only to active state employees and local government employees. EGID is self-insured and provides participants with the option of electing coverage from certain health maintenance organizations. Premium rates for the various groups are established separately.

The coverages are funded by monthly premiums paid by individuals, the state, local governments, educational employers, and retirement systems. A participant may extend coverage to dependents for an additional monthly premium based on the coverage requested. Of the 220,000 primary participants and dependents, approximately 22,000 primary participants and 11,000 dependents are covered by health maintenance organizations. These counts relate to health coverage only.

All state agencies are required to participate in EGID. Eligible local governments may elect to participate in EGID (320 local governments actually participate). Any education entity or local government which elects to withdraw from EGID may do so with 30 days written notice and must withdraw both its active and inactive participants.

A summary of available coverages and eligible groups, along with the number of health care participants follows:

	State Employee	Local Government Employee	Education Employee	Teachers' Retirement System	OPERS	COBRA
Health	X	X	X	X	X	X
Dental	X	X	X	X	X	X
Life	X	X	X	X	X	
Disability	X					
Medicare Supplement		X		X	X	X
Health Care Participants:						
Primary	24,000	9,000	56,000	-----	37,000	-----
Dependents			-----	72,000	-----	-----

## B. Unpaid Claims Liabilities

EGID establishes policy and contract claim reserves based on the estimated ultimate cost of settling claims that have been reported but not settled, and of claims that have been incurred but not yet reported. Disability reserves are also established based on the estimated ultimate cost of settling claims of participants currently receiving benefits and for disability claims incurred but not yet reported to EGID.

The reserves are determined using EGID's historical benefit payment experience. The length of time for which costs must be estimated depends on the coverages involved. Although such estimates are EGID's best estimates of the incurred claims to be paid, due to the complex nature of the factors involved in the calculation, the actual results may be more or less than the estimate. The claim liabilities are recomputed on a periodic basis using actuarial and statistical techniques which consider the effects of general economic conditions, such as inflation, and other factors of past experience, such as changes in participant counts. Adjustments to claim liabilities are recorded in the periods in which they are made. Premium deficiency reserves are required to be recorded when the anticipated costs of settling claims for the following fiscal year are in excess of the anticipated premium receipts for the following year. Anticipated investment income is considered in determining whether a premium deficiency exists.

## C. Reconciliation of Claims Liabilities

The schedule below presents the changes in policy and contract claim reserves and disability reserves for the three types of coverages: health and dental, life, and disability (expressed in thousands):

	Health and Dental	Life	Disability	Total
	Fiscal Year 12/31/2018	Fiscal Year 12/31/2018	Fiscal Year 12/31/2018	Fiscal Year 12/31/2018
Reserves at beginning of period	\$ 101,759	\$ 6,176	\$ 12,514	\$ 120,449
Incurred claims:				
Provision for insured events of current period	\$ 999,691	\$ 33,513	\$ 2,673	\$ 1,035,877
Changes in provisions for insured events of prior periods	(5,484)	1,888	(766)	(4,362)
	\$ 994,207	\$ 35,401	\$ 1,907	\$ 1,031,515
Payments:				
Claims attributable to insured events of current period	\$ 864,369	\$ 29,768	\$ 505	\$ 894,642
Claims attributable to insured events of prior periods	103,150	5,137	2,593	110,880
	\$ 967,519	\$ 34,905	\$ 3,098	\$ 1,005,522
Reserves at end of period	\$ 128,447	\$ 6,672	\$ 11,323	\$ 146,442

## D. Revenue and Claims Development Information

The separately issued audited financial statements for EGID include Required Supplementary Information regarding revenue and claims development.

## Note 7. Operating Lease Commitments

The state has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for equipment operating leases as of June 30, 2019, are as follows (expressed in thousands):

	General Fund	Fiduciary Funds	Component Units
2020	\$ 3,881	\$ 93	\$ 17,775
2021	1,613	-	414
2022	1,359	-	63
2023	1,230	-	51
2024	686	-	1,066
2025-2029	12,300	-	282
2030-2034	326	-	
2035-2039	367	-	-
2040-2044	168	-	-
Total	<u>\$ 21,930</u>	<u>\$ 93</u>	<u>\$ 19,651</u>
Operating lease commitments for building rental for year ended June 30, 2019	\$ 23,683	\$ 460	\$ 1,141
Rent expenditures/expenses for operating leases for year ended June 30, 2019	\$ 26,500	\$ 648	\$ 20,122

Operating leases with an agreement of less than one year or a value less than \$10,000 are not included in the general fund total due to state-wide accounting policy.

## Note 8. Lessor Agreements

### Primary Government

#### Direct Financing Leases

The Department of Transportation maintains leases classified as direct financing leases. The state leases heavy equipment and machinery to counties within the state. The lease terms are determined by the depreciation schedules published by the American Association of State Highway Transportation Officials. All new county equipment leases were charged an interest amount equivalent to 3% of the equipment cost. Title to this equipment passes to the counties at the end of the lease term. The Department of Transportation also leases railroad lines within the state to various railroad companies with the longest lease term ending in 2026. No interest or executory costs are charged, and the leases include bargain purchase options. The unguaranteed residual values of the machinery, equipment, and railroad lines are not estimated by the state. Contingent rentals are not a part of any lease and uncollectible amounts are not expected. The total minimum lease payments to be received by the Department of Transportation in future years are approximately \$22,627,000 which is also the net investment in direct financing leases at June 30, 2019. The following schedule represents minimum lease payments receivable for direct financing leases for each of the five succeeding fiscal years (expressed in thousands):

	2020	2021	2022	2023	2024	Thereafter	Total
Department of Transportation	\$ 5,402	\$ 4,580	\$ 3,895	\$ 3,243	\$ 2,591	\$ 2,894	\$ 22,605
Oklahoma Capital Improvement Authority	9,925	10,405	26,275	27,985	28,095	225,825	328,510
Total	<u>\$ 15,327</u>	<u>\$ 14,985</u>	<u>\$ 30,170</u>	<u>\$ 31,228</u>	<u>\$ 30,686</u>	<u>\$ 228,719</u>	<u>\$ 351,115</u>

The Oklahoma Capital Improvement Authority (OCIA) has capital lease agreements with the higher education component unit for the lease of various facilities, equipment and improvements. At June 30, 2019, the total minimum lease payments

to be received by OCIA from the higher education component unit are \$328,510,000. These lease agreements end in fiscal year 2035.

### Operating Leases

The state has operating leases maintained by various state agencies consisting primarily of state land leased to non-state entities, as well as a small amount of state-owned buildings which are also leased to non-state entities. Due to the passage of time, the state's historical cost of the leased land is not reasonably determinable. The leased buildings consist of sub-leased office space under an operating lease. Since the state does not have a cost basis in the building, no depreciation expense is recognized. The primary government's total operating leases receivable recognized in the current fiscal year is approximately \$201,000. Minimum future rentals receivable from these operating leases is presented in the following schedule (expressed in thousands):

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Total</u>
\$ 1,459	\$ 228	\$ 170	\$ 151	\$ 122	\$ 2,130

In addition, the leasing operations of the Commissioners of the Land Office consist of leasing approximately 740,000 acres of land principally for agricultural purposes. The lease terms are generally for five-year periods with one-fifth of the leases expiring each year. The lease year is on a calendar year basis with rents prepaid one year in advance. The rental amount is determined based on the maximum amount bid by the lessee. The following schedule presents minimum future rentals receivable from the noncancelable leasing of these lands (expressed in thousands):

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Total</u>
\$ 12,225	\$ 9,275	\$ 6,391	\$ 3,392	\$ 190	\$ 31,473

The Oklahoma Department of Tourism and Recreation has various contracts with concessionaires to provide patron services within state parks. Contract expiration terms vary, as well as renewal options. The Oklahoma Department of Tourism and Recreation receives concession revenue that is generally based on sales volume. The following schedule presents estimated minimum future concession revenue from these contracts (expressed in thousands):

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Thereafter</u>	<u>Total</u>
\$ 1,100	\$ 1,100	\$ 1,100	\$ 1,100	\$ 1,100	\$ 1,100	\$ 6,600

### Component Units

The Oklahoma Municipal Power Authority (Authority) executed a Power Purchase Agreement with FPL Energy Oklahoma Wind, LLC (FPLE Oklahoma), for the development of a wind generation facility in northwestern Oklahoma. Under the agreement, FPLE Oklahoma was responsible for acquiring, constructing and installing the wind project. The Authority issued taxable limited obligation notes which were payable solely from lease payments made by FPLE Oklahoma. The Authority used the proceeds of the notes to finance the Authority's acquisition of the wind project and has leased the wind project to FPLE Oklahoma under a long-term capital lease agreement for an amount sufficient to pay the debt service, principal and interest, on the notes. The Power Purchase Agreement has a term of approximately 25 years and power is sold on a take and pay basis. FPLE Oklahoma retains the operational risk related to the wind project. The following schedule lists the components of the lease agreement as of December 31, 2018, (expressed in thousands):

Total minimum lease payments to be received	\$ 45,167
Less: Amounts representing interest included in total minimum lease payments	(11,924)
Net investment in direct financing leases	<u>\$ 33,243</u>

### Operating Leases

The Oklahoma Educational Television Authority leases excess capacity on various channels to a wireless communications provider. The leases will expire in February 2047. Oklahoma Development Finance Authority leases a portion of its office space with a private company. The lease is in effect through February 2021. The Oklahoma Turnpike Authority (OTA) has various noncancelable contracts with concessionaires to provide patron services on the state's turnpike system. The contracts are generally for five-year terms, with two five-year renewal options. OTA receives



concession revenue that includes minimum rentals plus contingent rentals based on sales volume. OTA also leases antenna space under noncancelable contracts with a 20-year term. Higher education institutions have entered into various agreements for land and building space leases. The leases expire between 2024 and 2068. The following schedule presents minimum future rentals receivable from these contracts (expressed in thousands):

	2020	2021	2022	2023	2024	Thereafter	Total
Oklahoma Educational Television Authority	\$ 204	\$ 204	\$ 204	\$ 204	\$ 204	\$ 4,811	\$ 5,831
Oklahoma Development Finance Authority	10	6	-	-	-	-	16
Oklahoma Turnpike Authority	1,023	1,023	1,049	1,055	1,056	11,045	16,251
Higher Education	6,673	4,199	891	639	642	20,576	33,620
Total	<u>\$ 7,910</u>	<u>\$ 5,432</u>	<u>\$ 2,144</u>	<u>\$ 1,898</u>	<u>\$ 1,902</u>	<u>\$ 36,432</u>	<u>\$ 55,718</u>

The cost, carrying amount and accumulated depreciation of the Oklahoma Turnpike Authority leased property for the year ended December 31, 2018, is \$42,500,000, \$29,700,000 and \$12,800,000, respectively. The cost and carrying amount of the higher education institutions leased property for the year ended June 30, 2019, (expressed in thousands):

Land	\$ 596
Buildings	<u>34,639</u>
Cost	\$ 35,235
Less Accumulated Depreciation	<u>(3,699)</u>
Net Leased Property	<u>\$ 31,536</u>

## Note 9. Long-Term Obligations As Related to Governmental Activities

Long-term obligations at June 30, 2019, and changes for the fiscal year then ended (expressed in thousands):

	Issue Date	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds Payable from Tax Revenue:								
Oklahoma Bldg 2010A, Refunding	2011	2.00%-5.00%	2019	\$ 21,460	\$ -	\$ 21,460	\$ -	\$ -
Oklahoma Bldg 2013, Refunding	2013	2.00%-5.00%	2019	7,070	-	7,070	-	-
Total				<u>\$ 28,530</u>	<u>\$ -</u>	<u>\$ 28,530</u>	<u>\$ -</u>	<u>\$ -</u>
Revenue Bonds Payable from Lease Rentals:								
OCIA Series 2009A	2009	1.00%-4.20%	2025	\$ 13,320	\$ -	\$ 11,560	\$ 1,760	\$ 1,760
OCIA Series 2009AA	2010	2.00%-4.00%	2025	10,160	-	10,160	-	-
OCIA Series 2009B	2010	5.04%-5.34%	2025	68,830	-	-	68,830	10,550
OCIA Series 2010, Refunding/Revenue	2011	1.77%-5.61%	2031	105,265	-	5,930	99,335	6,205
OCIA Series 2010A, Refunding	2011	2.00%-5.00%	2019	32,140	-	32,140	-	-
OCIA Series 2010A DOT	2011	2.00%-5.00%	2021	41,090	-	13,125	27,965	13,680
OCIA Series 2010B DOT	2011	4.24%-4.79%	2026	92,075	-	-	92,075	-
OCIA Series 2012 DOT	2012	2.00%-2.54%	2026	38,735	-	4,130	34,605	4,305
OCIA Series 2013A	2013	2.00%-4.00%	2025	13,605	-	2,250	11,355	2,325
OCIA Series 2014A	2014	2.00%-5.00%	2031	202,090	-	3,730	198,360	3,605
OCIA Series 2014B	2015	2.00%-5.00%	2025	20,237	-	9,384	10,853	9,754
OCIA Series 2014C	2015	2.00%-5.00%	2035	76,720	-	2,695	74,025	3,260
OCIA Series 2015A	2015	2.00%-5.00%	2025	24,970	-	3,185	21,785	3,275
OCIA Series 2015B	2016	3.00%-5.00%	2027	36,220	-	3,420	32,800	3,535
OCIA Series 2016 DOT	2017	2.00%-5.00%	2035	170,000	-	-	170,000	7,430
OCIA Series 2017A, Refunding/Revenue	2017	2.00%-4.00%	2030	22,310	-	2,215	20,095	2,255
OCIA Series 2017B	2017	2.00%-5.00%	2026	66,120	-	6,735	59,385	7,005
OCIA Series 2017C	2018	2.00%-5.00%	2051	27,215	-	-	27,215	-
OCIA Series 2018A	2019	3.00%-4.00%	2049	-	9,000	-	9,000	150
OCIA Series 2018B	2019	3.71%-4.35%	2049	-	25,205	-	25,205	-
OCIA Series 2018C	2019	3.00%-5.00%	2039	-	65,105	-	65,105	1,420
OCIA Series 2018D	2019	2.00%-5.00%	2039	-	113,035	-	113,035	-
OCIA Series 2019A	2019	2.00%-5.00%	2035	-	13,765	-	13,765	-
OCIA Series 2019B	2019	3.00%-5.00%	2046	-	41,995	-	41,995	-
Dept of Corrections 2013, Central OK (ODFA)	2013	1.40%-5.00%	2023	11,006	-	2,147	8,859	2,185
Dept of Corrections 2016A, Central OK (ODFA)	2017	2.00%-3.00%	2027	2,135	-	245	1,890	250
DHS-2008 (ODFA)	2008	3.25%-4.15%	2023	9,025	-	1,670	7,355	1,730
DHS-2012 (ODFA)	2012	4.00%-5.00%	2022	6,120	-	1,525	4,595	1,600
DHS-2014 (ODFA)	2014	2.00%	2019	915	-	915	-	-
Law Enforcement Education/Train (ODFA)	2013	2.38%-5.00%	2025	11,244	-	1,092	10,152	1,123
OMES 2009 (ODFA)	2009	3.00%-3.25%	2035	33,620	-	1,405	32,215	1,445
Total				<u>\$ 1,135,167</u>	<u>\$ 268,105</u>	<u>\$ 119,658</u>	<u>\$ 1,283,614</u>	<u>\$ 88,847</u>
Notes Payable from Grant Revenue:								
ODOT 2008A, Grant Anticipation	2009	3.00%-5.00%	2019	\$ 8,490	\$ -	\$ 8,490	\$ -	\$ -
ODOT 2018A, Grant Anticipation	2018	3.00%-5.00%	2034	61,505	-	-	61,505	2,145
Total				<u>\$ 69,995</u>	<u>\$ -</u>	<u>\$ 8,490</u>	<u>\$ 61,505</u>	<u>\$ 2,145</u>
Capital Leases				\$ 1,326	\$ -	\$ 782	\$ 544	\$ 466
Compenstated Absences				158,017	92,556	92,050	158,523	92,050
Net Pension Liability				611,458	-	285,529	325,929	-
Bond Issue Premiums				98,099	23,381	14,063	107,417	10,642
Claims and Judgments Payable				70,685	17,764	23,039	65,410	23,039
Other Postemployment Benefits				176,648	-	12,325	164,323	-
Total Long-Term Obligations				<u>\$ 2,349,925</u>	<u>\$ 401,806</u>	<u>\$ 584,466</u>	<u>\$ 2,167,265</u>	<u>\$ 217,189</u>

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2019, which have scheduled debt service amounts (expressed in thousands):

	2020	2021	2022	2023	2024	2025-2029	2030-2034	2035-2039	2040-2044	2045-2049	2049-2053	Total
Revenue Bonds:												
OCIA 2009A Revenue	\$ 1,986	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,986
OCIA 2009B DOT	13,872	13,671	13,464	13,246	13,018	12,782	-	-	-	-	-	80,053
OCIA Series 2010, Refunding Revenue	11,340	11,332	11,311	11,303	11,292	56,243	22,379	-	-	-	-	135,200
OCIA 2010A DOT	14,656	14,622	-	-	-	-	-	-	-	-	-	29,278
OCIA 2010B DOT	4,229	4,229	18,872	18,626	18,370	48,459	-	-	-	-	-	112,785
OCIA 2012 DOT	5,811	5,812	5,810	5,810	5,811	11,616	-	-	-	-	-	40,670
OCIA 2013A Revenue	2,670	2,653	2,236	2,234	1,413	1,177	-	-	-	-	-	12,383
OCIA 2014A Revenue	12,796	12,568	12,036	26,985	26,988	129,030	47,325	-	-	-	-	267,728
OCIA 2014B Revenue	9,995	229	232	243	244	245	-	-	-	-	-	11,188
OCIA 2014C Revenue	6,376	6,373	6,370	6,382	6,387	31,802	31,691	6,352	-	-	-	101,733
OCIA 2015A Revenue	4,228	4,228	4,230	4,233	4,229	4,230	-	-	-	-	-	25,378
OCIA 2015B Revenue	4,949	4,944	4,944	4,934	4,925	14,754	-	-	-	-	-	39,450
OCIA Series 2016	14,901	14,903	14,902	14,900	14,903	74,508	74,515	14,903	-	-	-	238,435
OCIA Series 2017A	2,884	2,872	2,872	2,870	2,853	8,002	761	-	-	-	-	23,114
OCIA Series 2017B	9,604	9,599	9,601	9,596	9,599	23,427	-	-	-	-	-	71,426
OCIA Series 2017C	1,090	1,585	1,584	1,581	1,583	7,898	7,879	7,859	7,837	7,807	3,109	49,812
OCIA Series 2018A	495	515	515	519	518	2,579	2,561	2,563	2,558	2,548	-	15,371
OCIA Series 2018B	1,068	1,068	1,068	1,068	1,068	6,103	9,148	9,119	9,093	9,056	-	47,859
OCIA Series 2018C	5,225	5,227	5,228	5,225	5,227	26,131	26,133	26,126	-	-	-	104,522
OCIA Series 2018D	3,332	9,004	9,006	9,003	9,005	45,029	45,022	45,027	-	-	-	174,428
OCIA Series 2019A	-	2,541	2,533	2,539	2,539	4,218	2,101	422	-	-	-	16,893
OCIA Series 2019B	1,109	2,678	2,677	2,676	2,678	13,388	13,386	13,386	13,393	5,358	-	70,729
Corrections 2013, Central OK (ODFA)	2,651	2,653	2,648	2,096	-	-	-	-	-	-	-	10,048
Corrections 2016A, Central OK (ODFA)	297	297	295	297	294	594	-	-	-	-	-	2,074
DHS-2008	2,029	2,030	2,034	2,031	-	-	-	-	-	-	-	8,124
DHS-2012A	1,794	1,794	1,345	-	-	-	-	-	-	-	-	4,933
Law Enforcement Education/Train (ODFA)	1,464	1,465	1,462	1,462	1,466	4,267	-	-	-	-	-	11,586
OMES 2009 (ODFA)	2,912	2,912	2,907	2,906	2,904	14,461	14,381	2,870	-	-	-	46,253
	143,763	141,804	140,182	152,765	147,314	540,943	297,282	128,627	32,881	24,769	3,109	1,753,439
Less: Interest	54,916	53,755	49,983	45,619	40,533	133,920	58,516	21,680	8,005	2,760	138	469,825
Total Principal	\$ 88,847	\$ 88,049	\$ 90,199	\$ 107,146	\$ 106,781	\$ 407,023	\$ 238,766	\$ 106,947	\$ 24,876	\$ 22,009	\$ 2,971	\$ 1,283,614
Notes Payable:												
ODOT 2018A, Grant Anticipation	\$ 5,167	\$ 5,922	\$ 5,917	\$ 5,914	\$ 5,908	\$ 29,473	\$ 29,337	\$ -	\$ -	\$ -	\$ -	\$ 87,638
Less: Interest	3,022	2,892	2,737	2,574	2,403	9,133	3,372	-	-	-	-	26,133
Total Principal	\$ 2,145	\$ 3,030	\$ 3,180	\$ 3,340	\$ 3,505	\$ 20,340	\$ 25,965	\$ -	\$ -	\$ -	\$ -	\$ 61,505
Capital Leases	\$ 498	\$ 85	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 583
Less: Interest	26	1	-	-	-	-	-	-	-	-	-	27
Less: Executory Cost	6	6	-	-	-	-	-	-	-	-	-	12
Total Principal	\$ 466	\$ 78	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 544
Total	\$ 91,458	\$ 91,157	\$ 93,379	\$ 110,486	\$ 110,286	\$ 427,363	\$ 264,731	\$ 106,947	\$ 24,876	\$ 22,009	\$ 2,971	\$ 1,345,663
Compensated Absences												158,523
Net Pension Liability												325,929
Bond Issue Premiums												107,417
Claims and Judgments Payable												65,410
Other Postemployment Benefits												164,323
Total Long-Term Obligations												\$ 2,167,265

## A. General Obligation Bonds

General obligation bonds, administered by the State Treasurer, are authorized and issued primarily to provide resources for state-owned capital improvements, including office buildings for state agencies. The state has pledged 100% of cigarette taxes collected under these bond issues. General obligation bonds are backed by the full faith and credit of the state, including the state's power to levy additional taxes to ensure repayment of the bonds.

## B. Revenue Bonds

The Oklahoma Capitol Improvement Authority has twenty-two outstanding series of building bonds to construct and equip state office buildings and prisons. Principal and interest payments on these bond issues are paid from rents collected from the various state and federal agencies that occupy the buildings constructed with the bond proceeds.

The sale of series 2018A bonds for \$9,000,000 was issued for acquisition of real property, together with improvements located thereon, and personal property to provide office space for the Oklahoma Department of Tourism and Recreation.

The sale of series 2018B bonds for \$25,205,000 was issued to provide funding for improvements to real and personal property and for funding of further construction, improvements, development and enhancement of the American Indian Cultural Center and Museum for the Native American Cultural and Educational Authority or its successor.

The sale of series 2018C bonds for \$65,105,000 was issued to acquire real property, together, with improvements thereon, and personal property to construct improvements to real property and provide funding for repairs, refurbishments, and improvements to real and personal property of the State Capitol building and associated furniture, fixtures, and equipment.

The sale of series 2018D bonds for \$113,035,000 was issued for the purpose of the financing of maintenance, repairs, equipment, and improvements of existing correctional facilities for the Oklahoma Department of Corrections.

The sale of series 2019A bonds for \$13,765,000 was issued to currently refund the outstanding amount of the authority's state facilities revenue bonds, series 2009A (Oklahoma Conservation Commission Project) and acquire real property or

interests therein, together with improvements located thereon, and personal property and invest capital into improvements for purposes of construction, repair and rehabilitation of flood-control dams through and with the assistance of local conservation districts.

The sale of series 2019B bonds for \$41,995,000 was issued for the purpose of providing funding to acquire real property, together with improvements located thereon, and personal property to construct improvements to real property and to provide funding for repairs, refurbishments and improvements to real and personal property of the Oklahoma Office of Juvenile Affairs.

The Oklahoma Development Finance Authority has issued lease revenue bonds to provide lease financing for the Department of Corrections, the Department of Human Services, the Council for Law Enforcement Education and Training, and the Office of Management and Enterprise Services. The actual lease payments are made to a trustee who is responsible for payments to individual investors.

**C. Notes Payable**

The Oklahoma Department of Transportation has issued several series of Grant Anticipation Notes for the purpose of financing certain qualified federal aid transportation projects in the state. The notes are secured by federal revenue received from the Federal Highway Administration and have a final maturity in 2034. Total revenue received from the Federal Highway Administration in fiscal year 2019 was \$594,196,000 with a portion of that amount, \$87,638,000, reserved as security for the notes. Current year note obligations for principal and interest totaled \$5,167,000.

**D. Capital Leases**

The state has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. Capital lease obligations are reported for those leases where the fair market value of the leased asset at inception of the lease is \$25,000 or more.

Leased equipment under capital leases in capital assets at June 30, 2019, includes the following (expressed in thousands):

	Buildings	Equipment	Total
Cost	\$ 5,793	\$ 487	\$ 6,280
Less: Accumulated depreciation	(2,752)	(301)	(3,053)
Total	<u>\$ 3,041</u>	<u>\$ 186</u>	<u>\$ 3,227</u>

For fiscal year 2019, \$366,000 was recognized as depreciation expense for leased assets.

**E. Other Liabilities**

Compensated absences are liquidated by the general fund and do not have scheduled future debt service requirements beyond one year. The pension obligation is for the Oklahoma Law Enforcement Retirement System, Oklahoma Public Employees Retirement System, Oklahoma Police Pension and Retirement System, Oklahoma Teachers Retirement System and Oklahoma Wildlife Conservation Retirement Plan. These plans provide retirement, disability, and death benefits to the plan members and their beneficiaries. These pension obligations do not have scheduled future debt service requirements. The Oklahoma Wildlife Conservation Retirement Plan obligation will be liquidated by the general fund. The pension liability for all other plans will be liquidated by the respective pensions.

**F. Authorized Unissued Bonds**

During 2017, the legislature authorized OCIA to issue \$58,555,000 for the Department of Health to construct a new state health laboratory. During 2018, the legislative authorized Oklahoma Capital Improvement Authority to issue \$35,000,000 for the Oklahoma Department of Veteran’s Affairs to construct new long-term care facilities.

## Note 10. Long-Term Obligations As Related to Business-Type Activities

The Oklahoma Water Resources Board along with the Department of Environmental Quality has issued 41 series of revenue bonds. These bonds provide resources to implement statewide financial assistance programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems. Three of the revenue bonds have a variable or floating rate and are also subject to mandatory sinking fund redemption. The remaining revenue bonds are held at a fixed rate.

Long-term obligations at June 30, 2019, and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Issue Amount	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue Bonds Payable from User Fees:									
1999-2019 Issues	1999-2019	\$1,478,035	0.19-5.25%	2049	\$ 840,500	\$ 150,990	\$ 50,139	\$ 941,351	\$ 55,625
Adjusted for: Bond Premiums and Discounts					64,408	6	3,350	61,064	-
Revenue Bonds Payable Net of Bond Premiums and Discounts					<u>\$ 904,908</u>	<u>\$ 150,996</u>	<u>\$ 53,489</u>	<u>\$ 1,002,415</u>	<u>\$ 55,625</u>
Other Noncurrent Liabilities					\$ 9,731	\$ -	\$ 1,313	\$ 8,418	\$ -
Net Pension Liability					2,385	-	1,547	838	-
Other Postemployment Benefits					-	493	-	493	-
Compensated Absences					939	212	146	1,005	256
Total Long-Term Obligations					<u>\$ 917,963</u>	<u>\$ 151,701</u>	<u>\$ 56,495</u>	<u>\$ 1,013,169</u>	<u>\$ 55,881</u>

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2019, which have scheduled debt service amounts (expressed in thousands):

	2020	2021	2022	2023	2024	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048	Total
Revenue Bonds:											
1999-2019 Issues	\$ 93,381	\$94,283	\$91,557	\$90,367	\$ 75,925	\$335,599	\$266,381	\$156,290	\$79,053	\$42,928	\$1,325,764
Less: Interest	37,756	35,213	32,572	29,842	27,050	108,924	63,966	31,500	13,747	3,843	384,413
Principal	<u>\$ 55,625</u>	<u>\$59,070</u>	<u>\$58,985</u>	<u>\$60,525</u>	<u>\$ 48,875</u>	<u>\$226,675</u>	<u>\$202,415</u>	<u>\$124,790</u>	<u>\$65,306</u>	<u>\$39,085</u>	<u>\$ 941,351</u>
Adjusted for: Bond and Note Premium and Discounts											61,064
Long-Term Obligations without scheduled debt service:											
Other Noncurrent Liabilities											8,418
Net Pension Liability											838
Other Postemployment Benefits											493
Compensated Absences											1,005
Total Long-Term Obligations											<u>\$ 1,013,169</u>

Several of the bonds bear interest at variable rates, initially set at 0.87% to 2.90% and are periodically adjusted, pursuant to the provisions of the bond indentures, to a maximum rate of 12% per year. Variable rates are reset semiannually by the remarketing agent. The interest rate on the bonds was 2.0% at June 30, 2019. At the option of the Oklahoma Water Resources Board and subject to applicable provisions of the bond indenture, which require, among other things, that all bonds be successfully remarketed, the variable interest rate may be converted to a term rate that would stay fixed until maturity.

## Note 11. Long-Term Obligations As Related to Component Units

Long-term obligations at June 30, 2019 (September 30, 2018, for Oklahoma Housing Finance Agency and December 31, 2018, for Oklahoma Turnpike Authority, Grand River Dam Authority and Municipal Power Authority), and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General Obligation Bonds Payable from User Fees:								
Industrial Finance Authority	2001-2005	2.60%	2027	\$ 40,000	\$ -	\$ 10,000	\$ 30,000	\$ -
Total General Obligation Bonds Payable				\$ 40,000	\$ -	\$ 10,000	\$ 30,000	\$ -
Revenue Bonds Payable from User Fees:								
Student Loan Authority	2010-2013	2.90 - 3.70%	2040	\$ 180,832	\$ -	\$ 35,741	\$ 145,091	\$ -
Development Finance Auth.	1996	2.60%	2031	9,999	-	-	9,999	-
Housing Finance Agency	1991-2013	1.75 - 7.35%	2044	175,226	-	29,731	145,495	9,624
Turnpike Authority	2011-2018	0.20 - 5.00%	2048	1,581,315	344,310	58,040	1,867,585	56,645
Grand River Dam Authority	2010-2017	1.80 - 7.16%	2040	982,330	-	14,760	967,570	26,205
Municipal Power Authority	1992-2016	1.71 - 6.44%	2047	645,120	-	22,775	622,345	22,465
Higher Education	1993-2019	0.40 - 7.00%	2048	1,552,704	75,545	100,013	1,528,236	56,539
Total Before Discounts/Deferrals				\$ 5,127,526	\$ 419,855	\$ 261,060	\$ 5,286,321	
Adjusted for: Bond (Discount) Premiums				333,029	44,572	18,932	358,669	
Total Revenue Bonds Payable								
Net of Bond (Discounts) Premiums and Deferrals				\$ 5,460,555	\$ 464,427	\$ 279,992	\$ 5,644,990	\$ 171,478
Notes Payable:								
Multiple Injury Trust Fund	2000-2001	7.00%	2023	\$ 11,199	\$ -	\$ 2,198	\$ 9,001	\$ 2,356
Housing Finance Agency	2018	2.35%	2020	-	125,000	114,500	10,500	10,500
Oklahoma Turnpike Authority	2019	3.46%	2020	15,000	15,000	15,000	15,000	15,000
Student Loan Authority	2016-2017	3.20%	2032	52,849	-	10,417	42,432	-
OSU Medical Authority	2014	4.12%	2021	8,738	-	1,975	6,763	2,144
Municipal Power Authority	2003	6.00%	2028	35,623	-	2,380	33,243	2,522
Higher Education	2001-2019	1.00-6.00%	2046	14,126	653	1,477	13,302	1,073
Total				\$ 137,535	\$ 140,653	\$ 147,947	\$ 130,241	\$ 33,595
Capital Leases:								
Grand River Dam Authority				\$ 235	\$ -	\$ 92	\$ 143	\$ 143
OSU Medical Authority				555	-	241	314	250
Higher Education				1,265,613	30,240	153,123	1,142,730	59,945
Total				\$ 1,266,403	\$ 30,240	\$ 153,456	\$ 1,143,187	\$ 60,338
Claims and Judgments				\$ 476,518	\$ 72,112	\$ 47,476	\$ 501,154	\$ 48,446
Due to Primary Government				53,706	696	-	54,402	-
Compensated Absences				133,420	95,284	98,061	130,643	90,940
Net Pension Liability				1,764,334	5,782	178,106	1,592,010	-
Other Postemployment Benefits				519,492	42,768	4,744	557,516	-
Other Noncurrent Liabilities				959,528	856,127	812,837	1,002,818	844,921
Total Long-Term Obligations				\$10,811,491	\$1,708,089	\$1,732,619	\$10,786,961	\$1,249,718

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2019 (September 30, 2018, for Oklahoma Housing Finance Agency and December 31, 2018, for Oklahoma Transportation Authority, Grand River Dam Authority and Oklahoma Municipal Power Authority), which have scheduled debt service amounts (expressed in thousands):

	2020	2021	2022	2023	2024	2025-2029	2030-2034	2035-2039	2040-2044	2045-2049	2050-2054	Total
<b>General Obligation Bonds:</b>												
Industrial Finance Authority	\$ 780	\$ 780	\$ 10,650	\$ 520	\$ 520	\$ 20,715	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,965
Less: Interest	780	780	650	520	520	715	-	-	-	-	-	3,965
Total Principal	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,000
<b>Revenue Bonds:</b>												
Student Loan Authority	\$ 4,941	\$ 4,941	\$ 4,941	\$ 4,941	\$ 4,941	\$ 24,705	\$ 68,500	\$ 71,006	\$ 43,112	\$ -	\$ -	\$ 232,028
Development Finance Auth.	260	260	260	260	260	1,300	10,519	-	-	-	-	13,119
Housing Finance Agency	14,413	10,197	8,465	8,447	10,551	49,404	38,727	37,155	26,081	460	-	203,900
Turnpike Authority	128,770	140,108	138,069	138,283	137,531	685,177	503,910	435,345	435,347	435,351	-	3,177,891
Grand River Dam Authority	72,146	82,053	82,047	82,687	82,130	412,811	395,044	208,659	54,760	-	-	1,472,337
Municipal Power Authority	49,975	49,748	47,769	47,823	47,915	202,313	160,588	145,087	150,945	120,804	-	1,022,967
University Hospitals Authority	-	-	-	-	-	-	-	-	-	-	-	-
Higher Education	119,597	120,699	120,407	120,745	118,474	564,084	481,713	391,020	240,026	59,883	-	2,336,648
	\$390,102	\$408,006	\$401,958	\$403,186	\$401,802	\$1,939,794	\$1,659,001	\$1,288,272	\$ 950,271	\$616,498	\$ -	\$ 8,458,890
Less: Interest	218,624	225,012	216,885	208,702	199,816	852,813	602,513	387,780	197,265	63,159	-	3,172,569
Total Principal	\$171,478	\$182,994	\$185,073	\$194,484	\$201,986	\$1,086,981	\$1,056,488	\$ 900,492	\$ 753,006	\$553,339	\$ -	\$ 5,286,321
<b>Notes Payable:</b>												
Multiple Injury Trust Fund	\$ 2,925	\$ 2,925	\$ 2,925	\$ 1,451	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,226
Housing Finance Agency	10,747	-	-	-	-	-	-	-	-	-	-	10,747
Oklahoma Turnpike Authority	15,519	-	-	-	-	-	-	-	-	-	-	15,519
Student Loan Authority	1,302	1,302	1,302	1,302	1,302	13,135	38,138	-	-	-	-	57,783
OSU Medical Authority	2,425	2,425	2,483	-	-	-	-	-	-	-	-	7,333
Municipal Power Authority	4,517	4,517	4,517	4,517	4,517	22,581	-	-	-	-	-	45,166
Higher Education	1,789	2,402	2,348	2,185	2,094	3,459	1,166	1,087	1,087	1,087	-	18,704
	\$ 39,224	\$ 13,571	\$ 13,575	\$ 9,455	\$ 7,913	\$ 39,175	\$ 39,304	\$ 1,087	\$ 1,087	\$ 1,087	\$ -	\$ 165,478
Less: Interest	5,629	4,412	3,882	3,334	3,020	10,436	3,618	463	314	129	-	35,237
Total Principal	\$ 33,595	\$ 9,159	\$ 9,693	\$ 6,121	\$ 4,893	\$ 28,739	\$ 35,686	\$ 624	\$ 773	\$ 958	\$ -	\$ 130,241
<b>Capital Leases:</b>												
Grand River Dam Authority	\$ 158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 158
OSU Medical Authority	259	65	-	-	-	-	-	-	-	-	-	324
Higher Education	106,880	102,900	104,928	111,670	121,479	496,501	301,507	134,181	107,729	31,770	-	1,619,545
	\$107,297	\$102,965	\$104,928	\$111,670	\$121,479	\$ 496,501	\$ 301,507	\$ 134,181	\$ 107,729	\$ 31,770	\$ -	\$ 1,620,027
Less: Interest	46,959	44,957	42,695	40,317	39,961	140,473	68,511	35,180	16,179	1,608	-	476,840
Total Principal	\$ 60,338	\$ 58,008	\$ 62,233	\$ 71,353	\$ 81,518	\$ 356,028	\$ 232,996	\$ 99,001	\$ 91,550	\$ 30,162	\$ -	\$ 1,143,187
Total	\$265,411	\$250,161	\$266,999	\$271,958	\$288,397	\$1,491,748	\$1,325,170	\$1,000,117	\$ 845,329	\$584,459	\$ -	\$ 6,589,749
Adjusted for: Net Discounts and Deferred Debits on Refundings												358,669
<b>Long-Term Obligations without scheduled debt service:</b>												
Claims and Judgments												501,154
Due to Primary Government												54,402
Compensated Absences												130,643
Net Pension Liability												1,592,010
Other Postemployment Benefits												557,516
Other Noncurrent Liabilities												1,002,818
Total Long-Term Obligations												\$ 10,786,961

## A. General Obligation Bonds

Oklahoma Industrial Finance Authority has four series of general obligation bonds outstanding. These bonds are issued for the funding of industrial finance loans to encourage business development within the state. All revenues arising from the net proceeds from repayment of industrial finance loans and interest received thereon are pledged under these bond issues. In addition, these general obligation bonds are backed by the full faith and credit of the state.

## B. Revenue Bonds

The Oklahoma Student Loan Authority has issued four series of revenue bonds with outstanding balances. The bonds were issued for the purpose of funding student loans. All bonds payable are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective bond resolution. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in bond indentures. At June 30, 2019, the variable interest rates ranged from 2.9% to 3.7%.

The Oklahoma Development Finance Authority has issued revenue bonds to fund loans to various investment enterprises in connection with the Quality Jobs Investment Program. The bonds are payable solely from and secured by the revenues and funds in the Quality Jobs Investment Program and a Credit Enhancement Reserve Fund guarantee insurance policy. The interest rates are variable and equal to the Oklahoma Industrial Finance Authority's cost of funds on its outstanding variable rate bond issues. The interest rate at June 30, 2019 was 2.6%.

The Oklahoma Housing Finance Agency has issued nine series of revenue bonds with outstanding balances at year end. The net proceeds of these bonds are used to provide financing for qualifying residences, provide interim and permanent financing for multifamily construction projects, and establish debt service reserves as required by the various trust indentures.

The Oklahoma Turnpike Authority has eight series of revenue bonds outstanding with an original issue amount of \$2,192,365,000. The bonds are issued for the purpose of financing capital improvements and new projects relating to the state's turnpike system and are financed primarily by tolls assessed on users of the turnpikes.

The Grand River Dam Authority has seven series of revenue bonds outstanding with an original issue amount of \$1,201,655,000. Oklahoma statutes have authorized Grand River Dam Authority to issue revenue bonds with the aggregate outstanding indebtedness not to exceed \$1,410,000,000.

The Oklahoma Municipal Power Authority (OMPA) has nine series of revenue bonds outstanding. The bonds were issued to finance portions of OMPA's acquisition and construction activities. The bonds are payable from and collateralized by a pledge of and security interest in the proceeds of the sale of the bonds, the revenues of OMPA, and assets in the funds established by the respective bond resolutions. Neither the State of Oklahoma nor any political subdivision thereof is obligated to pay principal or interest on the bonds. OMPA does not have any taxing authority. Certain series of the bonds have a variable interest rate which is established either by auction or a weekly index. The maximum rate is 14%.

Eight of the state's colleges and universities within the higher education component unit have authorized and issued 58 series of revenue bonds with an original issue amount of \$2,406,675,000. These bonds were issued for the construction of student housing and other facilities. Student fees, revenues produced by the constructed facilities, and other revenues collateralize the revenue bonds.

### **C. Defeased Bonds**

In prior years, component units have defeased bonds by placing assets in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the assets of the trusts and the liabilities for the defeased bonds are not included in the accompanying financial statements. OMPA had defeased bonds outstanding at June 30, 2019 (December 31, 2018 for OMPA), totaling \$28,925,000.

### **D. Notes Payable**

The Multiple Injury Trust Fund (MITF) component unit reports a note payable to CompSource Oklahoma of \$9,001,000 as permitted by statute. Included in this note payable is a \$6,000,000 advance on a line of credit. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

Notes for the Oklahoma Student Loan Authority are issued to fund student loans and are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective financing agreements. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in lending agreements. At year end the variable interest rate was 3.2%.

OMPA has issued \$57,739,000 in a taxable limited obligation note. The note is payable solely from lease payments made by FPL Energy Oklahoma Wind, LLC, with no recourse to OMPA. The note bears an interest rate of 6%, and annual principal and interest payments are due through December 31, 2028.

The higher education component unit entered into various notes payable agreements. Lease payments, a pledge of "Section Thirteen Fund State Educational Institutions" monies, the equipment purchased, and the facilities constructed are pledged as collateral on the notes.

### **E. Capital Leases**

The higher education component unit has entered into agreements with unrelated parties as well as agreements with the Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. In fiscal year 1999, the higher education component unit signed capital lease agreements with OCIA totaling \$49,178,000 and additional



agreements totaling \$515,350,000 during fiscal year 2006. In fiscal year 2011, additional agreements with OCIA totaling \$249,440,000 were added. In fiscal year 2014, lease agreements for \$177,055,000 were added. During fiscal year 2015, lease agreements for \$95,713,000 were added. The outstanding principal balance for the OCIA leases at June 30, 2019, is \$328,509,000. Only the principal balance of the leases is recognized since it is equivalent to the value of the items leased. The OCIA agreements are aggregated with the other capital lease obligations on the statement of net position for year end.

Oklahoma State University Medical Authority has capital leases totaling \$315,000 for equipment through fiscal year 2021.

Leased assets under capital leases in capital assets at June 30, 2019, included the following (expressed in thousands):

	Construction In Progress	Buildings	Equipment	Total
Cost	\$ 7,674	\$ 488,837	\$ 458,951	\$ 955,462
Less: Accumulated depreciation	-	(109,772)	(144,449)	(254,221)
Total	<u>\$ 7,674</u>	<u>\$ 379,065</u>	<u>\$ 314,502</u>	<u>\$ 701,241</u>

## F. Other Liabilities

Claims and judgments, due to primary government, compensated absences, and other noncurrent liabilities of each component unit, as presented in the financial statements, will be liquidated by the reporting component unit. Other noncurrent liabilities include unearned revenue and other miscellaneous liability amounts. These liabilities do not have scheduled future debt service requirements beyond one year.

## G. Authorized Unissued Bonds

By statute, Oklahoma Industrial Finance Authority has authority to issue general obligation bonds not to exceed \$90,000,000 plus the balance in its bond redemption account. This results in \$60,000,000 of authorized but unissued general obligation bonds. Certain institutions within the higher education component unit have been authorized to issue revenue bonds in the amount of \$35,000,000 for various construction projects, renovation and acquisition of property.

## Note 12. Net Position/Fund Balance

### Beginning Net Position and Other Restatements

#### Primary Government

Beginning committed fund balance related to the general fund on the *Statement of Revenues, Expenditures and Changes in Fund Balances* increased \$302,752,000 at July 1, 2018, due to reclassification of fiduciary funds (\$242,319,000) and corrections of errors (\$60,433,000).

Beginning net position related to governmental activities on the *Statement of Activities* was restated due to corrections of accounting errors (\$78,342,000) and reclassification of fiduciary funds (\$242,319,000). This resulted in an increase of \$320,661,000 at July 1, 2018.

#### Proprietary Funds

Beginning net position for proprietary funds was restated due to cumulative change in accounting principle (adoption of Government Accounting Standards Board (GASB) Statement number 75 resulting in a decrease of \$633,000 as of July 1, 2018.

#### Component Units

Beginning net position for component units was restated due to corrections to accounting errors (increase of \$2,344,000) and cumulative change in accounting principle (adoption of GASB Statement number 75 resulting in a decrease of \$14,954,000). The net effect of the restatements decreased beginning net position by \$12,610,000 as of July 1, 2018.

## Governmental Fund Balance

The *Governmental Fund Financial Statements* present fund balance at the aggregate level of detail within the categories defined by GASB Statement number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The table below represents the detailed amount of fund balance available to each functional level of government within those categories. This table also contains a separate detailed categorization for the state's Constitutional Reserve ("Rainy Day") fund if a balance is available at the end of fiscal year (expressed in thousands):

	Permanent Funds				Total Governmental Funds
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
<b>Nonspendable</b>					
Inventories	\$ 106,466	\$ -	\$ -	\$ -	\$ 106,466
Prepays	270	-	-	-	270
Permanent Fund Principal	-	2,520,919	90,127	1,174,235	3,785,281
<b>Restricted</b>					
Education	20,622	-	-	-	20,622
Government Administration	506,653	-	-	-	506,653
Health Services	72,104	-	-	-	72,104
Legal and Judiciary	16,506	-	-	-	16,506
Museums	1,110	-	-	-	1,110
Natural Resources	8,744	-	-	-	8,744
Safety and Defense	11,413	-	-	-	11,413
Regulatory Services	6,638	-	-	-	6,638
Social Services	10,118	-	-	-	10,118
Transportation	72,650	-	-	-	72,650
Stabilization Fund (Rainy Day)	604,679	-	-	-	604,679
<b>Committed</b>					
Education	(4,072,261)	-	-	-	(4,072,261)
Government Administration	6,041,623	-	-	60,210	6,101,833
Health Services	(600,605)	-	-	-	(600,605)
Legal and Judiciary	77,523	-	-	-	77,523
Museums	20,442	-	-	-	20,442
Natural Resources	253,977	-	-	-	253,977
Safety and Defense	61,977	-	-	-	61,977
Regulatory Services	217,252	-	-	-	217,252
Social Services	1,022,215	-	-	-	1,022,215
Transportation	713,775	-	-	-	713,775
Assigned	-	-	-	61,556	61,556
<b>Unassigned</b>					
Constitutional Reserve ("Rainy Day")	201,560	-	-	-	201,560
<b>Total Fund Balances</b>	<b>\$ 5,375,451</b>	<b>\$ 2,520,919</b>	<b>\$ 90,127</b>	<b>\$ 1,296,001</b>	<b>\$ 9,282,498</b>

Nonspendable fund balance represents amounts that are not in spendable form. These amounts are not expected to be converted to cash. The state's primary forms of nonspendable fund balance are inventories and prepaid items such as rent or postage. Nonspendable fund balance also includes principal amounts within each respective permanent fund that is legally required to be maintained into perpetuity.

Restricted fund balance represents amounts that have constraints upon their use through either outside creditors, grantors, contributors or other governments as well as those amounts restricted through constitutional provisions or enabling legislation that can be legally enforced by parties outside the government. The state's general fund restricted fund balance is primarily comprised of amounts yet to be expended under federal grant awards, imminent payments on outstanding bond issues, long-term receivables that must be used for debt repayment, and 75% of any available balance in the Constitutional or "Rainy Day" fund. The Commissioners of the Land Office Permanent Fund is restricted for educational systems. Fund

balance as restricted by the various constraints in the general fund for the fiscal year ended June 30, 2019, were as follows (expressed in thousands):

	General Fund - Restricted			
	For Debt			
	Service Only	Federal Cash	By Enabling Legislation	Restricted Fund Balance
Restricted				
Education	\$ -	\$ 20,622	\$ -	\$ 20,622
Government Administration	496,900	9,753	-	506,653
Health Services	220	71,884	-	72,104
Legal and Judiciary	-	16,506	-	16,506
Museums	-	1,110	-	1,110
Natural Resources	4,567	4,177	-	8,744
Safety and Defense	142	11,271	-	11,413
Regulatory Services	6,594	44	-	6,638
Social Services	3,701	6,417	-	10,118
Transportation	71,194	1,456	-	72,650
Constitutional Reserve ("Rainy Day")	-	-	604,679	604,679
Total Restricted Fund Balance	<u>\$ 583,318</u>	<u>\$ 143,240</u>	<u>\$ 604,679</u>	<u>\$ 1,331,237</u>

Committed fund balance is presented for each respective function of government as directed by the state's highest level of decision-making authority. Along with ratification by the governor, the Senate and the House of Representatives write, prepare and approve legislative bills to allocate the state's available resources each fiscal year. This process is a formal legislative action constituting the highest level of decision-making authority. Once this authority is exercised, the same action must be taken to modify or rescind a previously approved bill or allocation of resources.

Under generally accepted accounting principles reporting, the nonspendable and restricted fund balance categories are considered restricted fund balance. The committed, assigned and unassigned fund balances are considered unrestricted fund balance. Generally, when the state has both restricted and unrestricted resources available, the restricted balances will be used first as expenditures are incurred if conditions that created the restriction are met. When unrestricted fund balance is used, the order of use would generally be committed, then assigned, and finally unassigned.

Article 10, Section 23, of the state Constitution establishes a stabilization arrangement (Constitutional Reserve or "Rainy Day" Fund) under certain conditions where revenues collected exceed estimates made by the Oklahoma State Board of Equalization (board). Each year the board determines the amount available for allocation by the legislature not to exceed 95% of the board's estimate, or general revenue fund certification amount. In any year in which amounts collected exceed 100% of the board's estimated revenues, the excess is placed in the Constitutional Reserve Fund (CRF) until the fund reaches 15% of the general revenue fund certification amount for the preceding fiscal year.

Up to 37.5% of the balance in the fund at the beginning of the year may be appropriated for the forthcoming fiscal year when the board's estimate is lower than the current fiscal year certification. An additional 37.5% of the CRF at the beginning of the year may be appropriated for the current year if the board determines that a revenue failure has occurred with respect to the general revenue fund for the current year. The remaining 25% of the balance in the CRF may be appropriated upon a declaration by the governor that emergency conditions exist with concurrence by a two-thirds vote within the Senate and House of Representatives. This same 25% may also be appropriated through a joint declaration of emergency by both the Senate and House of Representatives with a concurrent 3/4ths vote by each legislative body.

Due to the different methods for accessing the CRF, any balance with the fund at year end is presented as 75% restricted and 25% unassigned. This split in presentation most closely aligns the government's ability to access these funds with the proper fund balance classification. The total CRF balance at June 30, 2019, was \$806,239,000, with \$604,679,000 presented as restricted fund balance and \$201,560,000 as unassigned fund balance.

The Tobacco Settlement Endowment Trust Fund's assigned fund balance classification reflects amounts that are constrained by the fund's intent to be used for specific purposes. For purposes of assigned fund balance, the fund's board of directors has authority to assign funds for specific purposes. Prior to 2012, the board of directors determined that 10% of the unassigned fund balance would be designated as a reserve for future periods, should annual earnings prove insufficient to

cover expenses. In November 2011, the board of directors chose to limit yearly expenditures of certified earnings to no more than 5% of the corpus of the fund, with any unexpended certified earnings added to the reserve. For the fiscal year ended June 30, 2019, the assigned fund balance was \$61,556,000.

As explained in Note 1, *Summary of Significant Accounting Policies*, section J, the general fund inventory includes \$543,000 in food commodities which is also included in unearned revenue. Therefore, nonspendable fund balance for inventory/prepaid on the balance sheet is \$543,000 less than the total of inventory and prepaid items.

## **Note 13. Nonrecourse Debt and Debt Guarantees**

### **Nonrecourse (Conduit) Debt, Notes Receivable and Funds in Trust**

Financing agreements of Oklahoma Development Finance Authority (ODFA) and Oklahoma Housing Finance Agency (OHFA) are structured such that the debt is to be repaid solely from the revenues derived from the related facilities leased or acquired, or from the disposition of collateral. ODFA and OHFA do not hold notes receivable and trust investments in amounts equal to the long-term financings. As of September 30, 2018, OHFA had six series of multifamily bonds outstanding with an aggregate principal amount payable of approximately \$71,345,000. These financings are not general obligations of the state or state agencies, and it is the opinion of agency management and its legal counsel that, in the event of default by a borrower, the state has no responsibility for repayment of such financings. Accordingly, the nonrecourse debt and the related notes receivable and trust investments of ODFA and OHFA's multifamily bond programs have been excluded from the financial statements. The debt and other obligations and the related notes receivable and other assets of OHFA's single family bonds are presented in the financial statements, since any assets remaining when the single-family bond programs are liquidated are transferred to OHFA.

### **Credit Enhancement Reserve Fund**

Under the State Constitution, ODFA may issue bonds of the state, to be known as Credit Enhancement Reserve Fund General Obligation Bonds, in a total principal amount of \$100,000,000, for the sole purpose of generating resources if there are insufficient assets to meet insurance obligations. The fund is managed, administered, and utilized by ODFA solely to secure the payment of interest insurance on the revenue bonds and other financial obligations issued by the Authority for the specific purpose of enhancing and supporting the credit of such obligations. As of June 30, 2019, there were approximately \$27,380,000 of outstanding financial obligations insured by ODFA. At year end, the fund has accrued a reserve for losses of approximately \$633,000 to cover potential losses from outstanding financial obligations insured by the fund. Through June 30, 2019, there have been no Oklahoma Credit Enhancement Reserve Fund General Obligation Bonds issued since, and it is the full intention of ODFA to utilize the fund's existing available net assets to meet obligations arising from losses insured by the fund.

## **Note 14. Retirement and Pension Systems**

### **A. Plan Description**

The State of Oklahoma has six public employee retirement systems (PERS) that administer pension plans: Oklahoma Firefighters Pension and Retirement System (OFPRS), Oklahoma Law Enforcement Retirement System (OLERS), Oklahoma Public Employees Retirement System (OPERS), Uniform Retirement System for Justices and Judges (URSJJ), Oklahoma Police Pension and Retirement System (OPPRS), and the Teachers Retirement System of Oklahoma (TRS). These plans are all fiduciary component units of the state. The Department of Wildlife Conservation (ODWC) administers the Wildlife Conservation Retirement Plan (WCRP), which is part of the primary government.

OFPRS, OPERS, OPPRS, and TRS are all cost-sharing, multi-employer defined benefit retirement systems. URSJJ, OLERS and WCRP are single-employer, defined benefit retirement systems. Pension benefit provisions for all plans are established by statute and benefit provisions are amended by the state Legislature. Each plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments are provided to plan members at the discretion of the state Legislature. The information and schedules which follow are the representation of the respective state and local governmental employer pension plans which are administered through trusts.

Separately issued independent audit reports for each pension plan may be obtained from the following:

Firefighters Pension and Retirement 6601 Broadway Extension, Suite 100 Oklahoma City, OK 73116 <a href="http://www.ok.gov/fprs">http://www.ok.gov/fprs</a>	Law Enforcement Retirement 421 NW 13th Street, Suite 100 Oklahoma City, OK 73103 <a href="http://www.oters.state.ok.us">http://www.oters.state.ok.us</a>	Police Pension and Retirement 1001 NW 63rd Street, Suite 305 Oklahoma City, OK 73116 <a href="http://www.ok.gov/OPPRS">http://www.ok.gov/OPPRS</a>
Public Employees Retirement PO Box 53007 Oklahoma City, OK 73152 <a href="http://www.opers.ok.gov">http://www.opers.ok.gov</a>	Uniform Retirement System for Justices and Judges PO Box 53007 Oklahoma City, OK 73152 <a href="https://www.opers.ok.gov">https://www.opers.ok.gov</a>	Teachers' Retirement System PO Box 53524 Oklahoma City, OK 73152 <a href="http://www.ok.gov/TRS">http://www.ok.gov/TRS</a>
	Department of Wildlife Conservation PO Box 53465 Oklahoma City, OK 73152 <a href="http://www.wildlifedepartment.com">http://www.wildlifedepartment.com</a>	

**B. Summary of Significant Accounting Policies**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the respective pension plans and additions to/deductions from plans fiduciary net position is determined on the same basis as they are reported by each pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Component units of the State of Oklahoma may participate in additional pension plans that are not reported as part of the state's structure. As a result, net pension asset/liability and deferred inflows/outflows related to pensions on the related financial statements may exceed that reported in the *Notes to the Financial Statements*. For further information, component unit separately audit financial statements may be obtained by contacting the Office of Management and Enterprise Services, 5005 N. Lincoln Blvd., Suite 100, Oklahoma City, OK 73105.

**C. Eligibility Factors and Benefit Provisions**

<u>Provisions</u>	<u>OFPRS as of July 1, 2018</u>
a. Eligible to Participate	All eligible firefighters of a participating municipality or a fire protection district who perform the essential functions of fire suppression, prevention and life safety duties in a fire department
b. Period Required to Vest	Ten years of credited service if employed prior to November 1, 2013; eleven years of credited service if employed after November 1, 2013
c. Eligibility for Distribution	Normal retirement 20 years of service if employed prior to November 1, 2013; age 50 with 22 years of service if employed after November 1, 2013; disability retirement upon disability; death benefit of \$5,000 payable to the qualified spouse or designated recipient upon the participant's death
d. Benefit Determination Base	Final average salary - the average paid gross salary of the firefighter for normally scheduled hours over the highest salaried thirty consecutive months of the last 60 months of credited service



Disability Retirement:  
Duty

The greater of 1) 2.5% of the greater of the final average salary times years and completed months of credited service, or 2) 50% of final average salary

Non-Duty

2.5% of the final average salary times years and completed months of credited service

f. Benefit Authorization

Benefits are established in accordance with Title 47 of the Oklahoma Statutes, Chapter 2, Article III, Section 2-300 through 2-315 as amended

g. Form of Benefit Payments

100% Joint and Survivor Annuity

Provisions

OPERS as of July 1, 2018

a. Eligible to Participate

All permanent employees of the State of Oklahoma, and any other employer such as a county, county hospital, city or town, conservation districts, circuit engineering districts, and any trust in which a county, city, or town participates and is the primary beneficiary, are eligible to join if:

- The employee is not eligible for or participating in another retirement system authorized under Oklahoma law, is covered by Social Security and not participating in the U.S. Civil Service Retirement System
- The employee is scheduled for 1,000 hours per year and salary is not less than the hourly rate of the monthly minimum wage for state employees (for employees of local government employers, not less than the hourly rate of the monthly minimum wage for such employees)

b. Period Required to Vest

Eight years of credited service

c. Eligibility for Distribution

Normal retirement:

- Member before November 1, 2011, one of the following:

Age 62 with 6 years of credited service; for elected officials age 60

80 points - The sum of age and years of service equals 80 if member before July 1, 1992

90 points - The sum of age and years of service equals 90 if member after July 1, 1992

- Member on or after November 1, 2011, one of the following:

Age 65 with 6 years of credited service; for elected officials age 65 with 8 years of elected service

90 points – At least age 60 and the sum of age and years of service equals 90

Disability benefit after 8 years of service, provided member qualifies for disability benefits from the Social Security Administration or the Railroad Retirement Board

Death benefit of \$5,000 payable upon death of retiree to the designated beneficiary

d. Benefit Determination Base

Final average salary – member before July 1, 2013, the average of the 36 highest months of compensation earned within the last 10 years of service (including highest 3 longevity payments); member after July 1, 2013, the average highest 60 months of compensation earned within the last 10 years of service (including highest 5 longevity payments)

e. Benefit Determination Methods:

Normal Retirement

2% of member's final average salary multiplied by the years of credited service

Disability Retirement

Same as normal retirement

f. Benefit Authorization

Benefits are established in accordance with Title 74 of the Oklahoma Statutes, Chapter 29, Section 901 through 935 as amended

g. Form of Benefit Payments

Life Annuity, Joint and 50% Survivor, Joint and 100% Survivor Annuity, Life Annuity with a minimum of 120 monthly payments, and Medicare Gap Benefit option

Provisions

USRJJ as of July 1, 2018

a. Eligible to Participate

Any Justice or Judge of the Supreme Court, Court of Criminal Appeals, Workers' Compensation Court of Existing Claims, Court of Appeals or District Court who serves as justice or judge of any of said courts in the State of Oklahoma

b. Period Required to Vest

Eight years of credited service

c. Eligibility for Distribution

Normal retirement:

- Member before January 1, 2012, one of the following:

Age 60 with 10 years of credited service

Age 65 with 8 years of credited service

80 points - The sum of age and years of service equals 80

- Member after January 1, 2012, one of the following:

Age 62 with 10 years of credited service



Age 67 with 8 years of credited service

Disability benefit at age 55 and 15 years of continuous judicial service

Death benefit of \$5,000 payable upon death of retiree to the designated beneficiary

- d. Benefit Determination Base  
Final average salary – average monthly salary based on the highest 36 months of active service
- e. Benefit Determination Methods:
  - Normal Retirement  
4% of member’s final average compensation multiplied by years of credited service not to exceed 100% of final average salary
  - Disability Retirement  
Same as normal retirement
- f. Benefit Authorization  
Benefits are established in accordance with Title 20 of the Oklahoma Statutes, Chapter 16, Section 1101 through 1111 as amended
- g. Form of Benefit Payments  
Single-life, Joint and 50% Survivor, Joint and 100% Survivor

Provisions

OPPRS as of July 1, 2018

- a. Eligible to Participate  
All eligible officers of a participating municipality and any person hired by a participating municipality who is undergoing police training to become a permanent police officer; works more than 25 hours per week and is not less than 21 or more than 45 years of age when accepting membership
- b. Period Required to Vest  
Ten years of credited service
- c. Eligibility for Distribution  
Normal retirement upon completing 20 years of credited service  
  
Total Disability (Duty): upon determination of total disability; Total Disability (Non-Duty): upon determination of disability after 10 years of service  
  
Death benefit of \$5,000 payable upon death of retiree to the designated beneficiary
- d. Benefit Determination Base  
Final average salary – average base salary for normally scheduled hours over the highest salaried 30 consecutive months of the last 60 months of credited service.
- e. Benefit Determination Methods:
  - Normal Retirement  
2.5% of member’s final average salary multiplied by years of credited service not to exceed 30 years
  - Disability Retirement  
Total Disability (Duty): 50% of final average salary

Total Disability (Non-Duty): 2.5% of final average salary multiplied by years of credited service not to exceed 30 years

Partial Disability (Duty): final average salary reduced by the percent of impairment, as outlined in the “American Medical Association’s Guide to the Evaluation of Permanent Impairment”

Partial Disability (Non-Duty): 2.5% of final average salary multiplied by years of credited service (maximum of 30 years) reduced by the percentage of impairment, as outlined in the “American Medical Association’s Guide to the Evaluation of Permanent Impairment”

f. Benefit Authorization

Benefits are established in accordance with Title 11 of the Oklahoma Statutes, Chapter 1, Section 50-101 through 50-136.8 as amended

g. Form of Benefit Payments

Joint and 100% Survivor Annuity

Provisions

TRS as of July 1, 2018

a. Eligible to Participate

All employees of any public school in Oklahoma, including public colleges and universities

b. Period Required to Vest

Five years of credited service. Seven years of credited service for members joining after October 31, 2017.

c. Eligibility for Distribution

Normal retirement:

- Member before November 1, 2011 – age 62 with 5 years of service
- Member after October 31, 2011 – age 65 with 5 years of service or age 60 and the number of years of service totals 90
- Member before July 1, 1992 – age and the number of years of creditable service total 80
- Member on or after July 1, 1992 but prior to November 1, 2011 – age and the number of years totals 90
- Members joining after October 31, 2017, must have credit for seven or more years of service.

Early retirement:

- Member prior to November 1, 2011 – Age 55 and 5 years of service or upon completion of 30 years of service
- Member after October 31, 2011 – Age 60 and 5 years of service
- Members joining after October 31, 2017, must have credit for seven or more years of service.

Disability benefit after 10 years of service

Death benefit of \$5,000 payable upon death of retiree to the designated beneficiary

- |    |                                |  |
|----|--------------------------------|--|
| d. | Benefit Determination Base     | Final average salary – For those becoming members before July 1, 1992, the compensation for the three years on which the highest contributions are paid; for persons becoming members after June 30, 1992, the compensation for the five years on which the highest contributions are paid |
| e. | Benefit Determination Methods: |  |
|    | Normal Retirement              | 2% of member's final average salary subject to the compensation limits in Title 70, Chapter 1, Article 17, Section 17-101(28) and 17-116.2C.   |
|    | Disability Retirement          | Same as normal retirement  |
| f. | Benefit Authorization          | Benefits are established in accordance with Title 70 of the Oklahoma Statutes, Chapter 1, Article 17, Section 17-101 through 17-122.1 as amended   |
| g. | Form of Benefit Payments       | Straight Life Annuity, Joint and 50% Survivor, Joint and 100% Survivor   |

Provisions

WCRP as of July 1, 2018

- |    |                                |  |
|----|--------------------------------|--|
| a. | Eligible to Participate        | Employees with a hire date prior to July 1, 2010; plan was frozen as of July 1, 2010   |
| b. | Period Required to Vest        | Ten years of credited service  |
| c. | Eligibility for Distribution   | Normal retirement – Age 65<br><br>Early retirement: <ul style="list-style-type: none"> <li>• Age 55 and 15 years of service; benefit reduced 2% for each year benefit received prior to age 62</li> <li>• Age 55 and sum of age and years of continuous service equals 85</li> </ul> |
| d. | Benefit Determination Base     | Final average salary – Highest three years annual covered compensation received during the last 10 years of participating service  |
| e. | Benefit Determination Methods: |  |
|    | Normal Retirement              | 2.5% of member's final average salary multiplied by years of credited service; employees hired after July 1, 1995, the maximum benefit is 85% of final average salary with minimum benefit of \$50 per month   |
|    | Disability Retirement          | Same as normal retirement  |
| f. | Benefit Authorization          | Benefits are established in accordance with Title 29 of the Oklahoma Statutes, Chapter 1, Article 3, Section 3-306   |
| g. | Form of Benefit Payments       | Lifetime benefit   |

#### D. Employees Covered by Benefit Terms

	<u>OFPRS</u>	<u>OLERS</u>	<u>OPERS</u>	<u>URSJJ</u>	<u>OPPRS</u>	<u>TRS</u>	<u>ODWC</u>
Active Employees	12,352	1,267	36,329	265	4,791	88,534	212
Deferred Vested Former Employees	2,127	23	6,024	14	937	12,243	27
Retirees or Retiree Beneficiaries	11,093	1,424	35,260	272	3,720	63,796	219
Total	<u>25,572</u>	<u>2,714</u>	<u>77,613</u>	<u>551</u>	<u>9,448</u>	<u>164,573</u>	<u>458</u>

#### E. Contribution Requirements

*Oklahoma Firefighters Pension and Retirement System:* The authority to set and amend contribution rates is established by ordinance for OFPRS defined benefit plan in accordance with Title 11 of the Oklahoma Statutes, Section 49-100.6. The contribution rates for the current fiscal year are made in accordance with Oklahoma statute. The rate is 9% for employees of their covered salary and 14% for employers of covered payroll as of July 1, 2018. Municipalities with revenues in excess of \$25,000 contribute \$60 per year for each volunteer firefighter. Prior to November 1, 2013, the rate was 8% for employees, 13% for employers, and municipalities contributed \$60 per year for each volunteer firefighter. The state contributes a portion of the insurance premium tax collected through its taxing authority. Currently, this contribution is 36% of insurance premium tax collected by the state. Prior to November 1, 2013, the contribution rate was 34%. For the year ended June 30, 2018, OFPRS recognized \$168,011,000 in contributions to the plan based on covered payroll of \$330,091,000.

*Oklahoma Law Enforcement Retirement System:* The authority to set and amend contribution rates is established by ordinance for OLERS defined benefit plan in accordance with Title 47 of the Oklahoma Statutes, Chapter 2, Article 3, Section 2-303.1. The contribution rates for the current fiscal year are made in accordance with Oklahoma statute. The rate is 8% for employees of their covered salary and 11% for employers of covered payroll as of July 1, 2018. The state contributes a portion of driver's license taxes, and insurance premium tax collected through its taxing authority. Currently, this contribution is 1.2% of driver's license taxes, and 5% of insurance premium tax. For the year ended June 30, 2018, OLERS recognized \$39,423,000 in contributions to the plan based on covered payroll of \$86,121,000.

*Oklahoma Public Employees Retirement System:* The authority to set and amend contribution rates is established by ordinance for OPERS defined benefit plan in accordance with Title 74 of the Oklahoma Statutes, Chapter 29, Section 908. The contribution rates for the current fiscal year are made in accordance with Oklahoma statute. The rate for state employees is 3.5% of their covered salary and 16.5% of covered payroll for state agencies as of July 1, 2018. Contributions for participating county and local agencies total 20% for employees and employers as of July 1, 2018. For the year ended June 30, 2018, OPERS recognized \$325,837,000 in contributions to the plan based on covered payroll of \$1,601,075,000.

*Uniform Retirement System for Justices and Judges:* The authority to set and amend contribution rates is established by ordinance for URSJJ defined benefit plan in accordance with Title 20 of the Oklahoma Statutes, Chapter 16, Section 1108. The contribution rates for the current fiscal year are made in accordance with Oklahoma statute. The rate for employees is 8% of their covered salary and 20.5% of covered payroll for employers as of July 1, 2018. For the year ended June 30, 2018, URSJJ recognized \$9,113,000 in contributions to the plan based on covered payroll of \$33,839,000.

*Oklahoma Police Pension and Retirement System:* The authority to set and amend contribution rates is established by ordinance for OPPRS defined benefit plan in accordance with Title 11 of the Oklahoma Statutes, Chapter 1, Article 50, Section 50-106. The contribution rates for the current fiscal year are made in accordance with Oklahoma statute. The rate is 8% for employees of their covered salary and 13% for employers of covered payroll as of July 1, 2018. The state contributes a portion of the insurance premium tax collected through its taxing authority. Currently, this contribution is 14% of insurance premium tax collected by the state. For the year ended June 30, 2018, OPPRS recognized \$103,910,000 in contributions to the plan based on covered payroll of \$324,190,000.

*Teachers Retirement System:* The authority to set and amend contribution rates is established by ordinance for TRS defined benefit plan in accordance with Title 70 of the Oklahoma Statutes, Chapter 1, Article 17, Section 17-106. The contribution rates for the current fiscal year are made in accordance with Oklahoma statute. The rate is 7% for employees of their covered salary and 9.5% for employer entities other than comprehensive and four-year universities as of July 1, 2018. The rate for comprehensive and four-year universities is 8.55% as of July 1, 2018. The state contributes 5% of revenues from sales taxes, use taxes, corporate and individual income taxes. The system receives 1% of the cigarette taxes collected by the state

and 5% net lottery proceeds. For the year ended June 30, 2018, TRS recognized \$1,070,545,000 in contributions to the plan based on covered payroll of \$4,223,226,000.

*Wildlife Conservation Retirement Plan:* The authority to set and amend contribution rates is established by ordinance for WCRP defined benefit plan in accordance with Title 29 of the Oklahoma Statutes, Chapter 1, Article 3, Section 3-306. The contribution rates for the current fiscal year are made in accordance with Oklahoma statute. The rate is 5% for employees of their covered salary. For the year ended June 30, 2018, WCRP recognized \$3,710,000 in contributions to the plan based on covered payroll of \$12,208,000.

## F. Actuarial Assumptions

### Oklahoma Firefighters Pension and Retirement System

Date of Last Actuarial Valuation	July 1, 2018
a. Actuarial cost method	Entry age normal
b. Rate of return on investments and discount rate	7.5%
c. Projected salary increases	3.5% - 9.0%
d. Post retirement cost-of-living increase	Half of the dollar amount of a 3% assumed increase in base pay for firefighters with 20 years of service as of May 26, 1983; no cost-of-living adjustment assumed for members not eligible for this increase
e. Inflation Rate	3%
f. Mortality table	Active employees (pre and post retirement): RP-2000 Blue Collar Healthy Combined with generational mortality improvement using Scale AA; disabled pensioners: RP-2000 Blue Collar Healthy Combined
g. Percent of married employees	85% Males; 85% Females
h. Spouse age difference	Males three years older than females
i. Turnover	Varies from 0.4% to 3.5%
j. Date of last experience study	June 30, 2012, for the period from July 1, 2007, to June 30, 2012

### Oklahoma Law Enforcement Retirement System

Date of Last Actuarial Valuation	July 1, 2018
a. Actuarial cost method	Entry age normal
b. Rate of return on investments and discount rate	7.5%
c. Projected salary increases	3.5% - 9.75%
d. Post retirement cost-of-living increase	3%
e. Inflation Rate	2.75%
f. Mortality table	Active employees (pre and post retirement): RP-2014 Blue Collar Healthy Table with Generational Projection using Scale MP-2016; Disabled pensioners: RP-2014 Blue Collar Table with no projection from 2006 rates.
g. Percent of married employees	85% Males; 85% Females
h. Spouse age difference	Males three years older than females
i. Turnover	Varies from 1.5% to 15%
j. Date of last experience study	July 2012 to June 2016

## Oklahoma Public Employees Retirement System

Date of Last Actuarial Valuation	July 1, 2018
a. Actuarial cost method	Entry age normal
b. Rate of return on investments and discount rate	7.0%
c. Projected salary increases	3.5% - 9.5%
d. Post retirement cost-of-living increase	None
e. Inflation Rate	2.75%
f. Mortality table	Active employees (pre and post retirement): RP-2014 Blue Collar Healthy Employees with base rates projected to 2025 using Scale MP-2016; Disabled pensioners: Nondisabled retiree mortality set forward 12 years for disabled experience.
g. Percent of married employees	85% Males; 85% Females
h. Spouse age difference	Males four years older than females
i. Turnover	Varies from 1%-24%
j. Date of last experience study	July 1, 2013, to June 30, 2016

## Uniform Retirement System for Justices and Judges

Date of Last Actuarial Valuation	July 1, 2018
a. Actuarial cost method	Entry age normal
b. Rate of return on investments and discount rate	7.0%
c. Projected salary increases	3.75%
d. Post retirement cost-of-living increase	None
e. Inflation Rate	2.75%
f. Mortality table	Active employees (pre and post retirement): RP-2014 Blue Collar Active/Retiree Healthy Mortality Table with base rate projected to 2025 using Scale MP-2016; Disabled pensioners: Nondisabled retiree mortality set forward 12 years for disabled experience
g. Percent of married employees	85% Males; 85% Females
h. Spouse age difference	Males four years older than females
i. Turnover	2%
j. Date of last experience study	July 1, 2013, to June 30, 2016

## Oklahoma Police Pension and Retirement System

Date of Last Actuarial Valuation	July 1, 2018
a. Actuarial cost method	Entry age normal
b. Rate of return on investments and discount rate	7.5%
c. Projected salary increases	3.5% to 10.0%
d. Post retirement cost-of-living increase	Officers eligible to receive cost of living adjustments according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary of 3.5%
e. Inflation Rate	2.75%
f. Mortality table	Active employees' pre-retirement: RP-2000 Blue Collar Healthy Combined fully generational using Scale AA with age set back 4 years; Post-retirement: RP-2000 Blue Collar Healthy Combined fully generational using Scale AA; Disabled pensioners: RP-2000 Blue Collar Healthy Combined with age set forward 4 years

- |    |                               |  |
|----|-------------------------------|--|
| g. | Percent of married employees  | 85% Males; 85% Females                               |
| h. | Spouse age difference         | Males three years older than females                 |
| i. | Turnover                      | Varies from 1% to 15%                                |
| j. | Date of last experience study | Five-year period from July 1, 2012, to June 30, 2017 |

**Teachers Retirement System**

- |                                  |   |   |
|----------------------------------|---|---|
| Date of Last Actuarial Valuation | June 30, 2018                                   |   |
| a.                               | Actuarial cost method                           | Entry age normal  |
| b.                               | Rate of return on investments and discount rate | 7.5%  |
| c.                               | Projected salary increases                      | 3.25%, plus step-rate promotional increases for members with less than 25 years of service  |
| d.                               | Post retirement cost-of-living increase         | None  |
| e.                               | Inflation Rate                                  | 2.5%  |
| f.                               | Mortality table                                 | Active employees - pre-retirement: RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, with male rates multiplied by 60% and females rates multiplied by 50%; Post-retirement: RP-2000 Combined Healthy Mortality table for males with White Collar Adjustments; Generational mortality improvements in accordance with Scale BB from the table's base year of 2000; For females the GRS Southwest Region Teacher Mortality Table, scaled at 105%; Generational mortality improvements in accordance with Scale BB from the table's base year of 2012; Disabled pensioners: RP-2000 Mortality tables with male rates multiplied by 75%, no set back, and female rates multiplied by 100%, no set back |
| g.                               | Percent of married employees                    | 80% Males; 80% Females  |
| h.                               | Spouse age difference                           | Males three years older than females  |
| i.                               | Turnover  | Varies from 1.5% to 23.0%   |
| j.                               | Date of last experience study                   | May 2015, for a five-year period ending June 30, 2014   |

**Wildlife Conservation Retirement Plan**

- |                                  |   |   |
|----------------------------------|---|---|
| Date of Last Actuarial Valuation | July 1, 2018                                    |   |
| a.                               | Actuarial cost method                           | Entry age normal  |
| b.                               | Rate of return on investments and discount rate | 7%  |
| c.                               | Projected salary increases                      | 3% to 8%  |
| d.                               | Post retirement cost-of-living increase         | none  |
| e.                               | Inflation Rate                                  | 3%  |
| f.                               | Mortality table                                 | Active Members: RP-2014 Employee Mortality Table with Blue Collar Adjustment projected to 2030 with Scale BB; Retired Members: RP-2014 Mortality Table for Healthy Annuitants with Blue Collar Adjustment projected to 2030 with Scale BB; Disabled members: RP-2014 Mortality Table for Disabled Annuitants, projected to 2030 with Scale BB |
| g.                               | Percent of married employees                    | 85% Males; 85% Females  |
| h.                               | Spouse age difference                           | Males three years older than females  |
| i.                               | Turnover  | Varies from 1% to 8%  |
| j.                               | Date of last experience study                   | July 1, 2010, to June 30, 2015  |

## G. Discount Rate

### Oklahoma Firefighters Pension and Retirement System

The projection of cash flows used to determine the discount rate assumed that contributions from plan members are made at the current contribution rate and that contributions from employers are made at contractually required rates. Projected cash flows also assume insurance premium taxes are contributed as determined by state statutes.

Based on these assumptions, the pension plan's fiduciary net position is projected to be sufficient for projected benefit payments. Therefore, the discount rate used is 7.5% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments is determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	4.37%
Equity	62%	7.92%
Alternative Investments	18%	6.14%
Total	100%	

### Oklahoma Law Enforcement Retirement System

The projection of cash flows used to determine the discount rate assumed that plan contributions from members, state agencies, insurance premium taxes and other state sources are made at the current contribution rates as set out in state statute.

Based on those assumptions, the pension plan's fiduciary net position is projected to be sufficient for projected benefit payments. Therefore, the discount rate used is 7.5% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments is determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	30%	6.43%
Equity	60%	11.58%
Alternative Investments	10%	8.27%
Total	100%	

### Oklahoma Public Employees Retirement System

The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers are made at the current contribution rate as set out in state statute.



Based on those assumptions, the pension plan’s fiduciary net position is projected to be sufficient for projected benefit payments. Therefore, the discount rate used is 7.0% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments is determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	32%	0.79%
Equity	44%	5.34%
Alternative Investments	24%	5.80%
Total	100%	

### **Uniform Retirement System for Justices and Judges**

The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers are made at the current contribution rate as set out in state statute.

Based on those assumptions, the pension plan’s fiduciary net position is projected to be sufficient for projected benefit payments. Therefore, the discount rate used is 7.0% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	32%	0.79%
Equity	44%	5.34%
Alternative Investments	24%	5.80%
Total	100%	

### **Oklahoma Police Pension and Retirement System**

The projection of cash flows used to determine the discount rate assumed that plan contributions from members, state agencies, insurance premium taxes and other state sources are made at the contractually required rates. Projected cash flows also assume insurance premium taxes are contributed as determined by state statutes.

Based on these assumptions, the pension plan’s fiduciary net position is projected to be sufficient for projected benefit payments. Therefore, the discount rate used is 7.5% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected

inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	25%	4.53%
Equity	60%	7.97%
Alternative Investments	15%	5.82%
Total	100%	

### Teachers Retirement System

The projection of cash flows used to determine the single discount rate assumed that plan member and employer contributions are made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the state’s contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Based on these assumptions, the pension plan’s fiduciary net position is projected to be sufficient for projected benefit payments. Therefore, the discount rate used is 7.5% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments is determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	24%	2.50%
Equity	57%	7.83%
Alternative Investments	19%	5.34%
Total	100%	

### Wildlife Conservation Retirement Plan

The projection of cash flows used to determine the discount rate assumed that contributions from plan members are made at the current contribution rate and that contributions from the department are at least 100% of the department’s required contribution.

Based on these assumptions, the pension plan’s fiduciary net position is projected to be sufficient for projected benefit payments. Therefore, the discount rate used is 7% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments is determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	40%	2.68%
Equity	50%	8.02%
Alternative Investments	10%	3.07%
Total	<u>100%</u>	

## H. Changes in Net Pension Liability

The total pension liability for the various pension systems is determined based on actuarial valuations performed as of July 1, 2018, which is also the measurement date. There are no changes in assumptions or changes between the measurement date of July 1, 2018, and the state's report ending date of June 30, 2019, that would have a significant impact on the net pension liability. The following tables report the components of changes in net pension liability (in thousands):

### Oklahoma Law Enforcement Retirement System

#### Schedule of Changes in Net Pension Liability Increases (Decreases)

	<b>Total Pension Liability</b>	<b>Plan Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Balance Beginning of Year</b>	\$ 1,069,287	\$ 939,345	\$ 129,942
<b>Changes for the Year:</b>			
Service Cost	22,654	-	22,654
Interest	78,022	-	78,022
Difference between expected and actual experience	(5,997)	-	(5,997)
Changes in assumptions	832		832
Contributions-Employer	-	9,083	(9,083)
Contributions-State of Oklahoma, non-employer contributing entity	-	23,673	(23,673)
Contributions-Employee	-	6,667	(6,667)
Net Investment Income	-	80,005	(80,005)
Benefit payments, including refunds	(59,048)	(59,048)	-
Administrative expense	-	(1,092)	1,092
<b>Net Changes</b>	<u>\$ 36,463</u>	<u>\$ 59,288</u>	<u>\$ (22,825)</u>
<b>Balances at June 30, 2018</b>	<u>\$ 1,105,750</u>	<u>\$ 998,633</u>	<u>\$ 107,117</u>

**Uniform Retirement System for Justices and Judges**

Schedule of Changes in Net Pension Liability  
Increases (Decreases)

	<b>Total Pension Liability</b>	<b>Plan Net Position</b>	<b>Liability (Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Balance Beginning of Year</b>	\$ 282,838	\$ 318,263	\$ (35,425)
<b>Changes for the Year:</b>			
Service Cost	8,897	-	8,897
Interest	19,162	-	19,162
Difference between expected and actual experience	(2,004)	-	(2,004)
Changes in Assumptions	-	-	-
Contributions-Employer	-	6,504	(6,504)
Contributions-Employee	-	2,608	(2,608)
Net Investment Income	-	26,189	(26,189)
Benefit payments, including refunds	(18,513)	(18,513)	-
Administrative expense	-	(154)	154
<b>Net Changes</b>	<b>\$ 7,542</b>	<b>\$ 16,634</b>	<b>\$ (9,092)</b>
<b>Balances at June 30, 2018</b>	<b>\$ 290,380</b>	<b>\$ 334,897</b>	<b>\$ (44,517)</b>

**Wildlife Conservation Retirement Plan**

Schedule of Changes in Net Pension Liability  
Increases (Decreases)

	<b>Total Pension Liability</b>	<b>Plan Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Balance Beginning of Year</b>	\$ 121,351	\$ 108,981	\$ 12,370
<b>Changes for the Year:</b>			
Service Cost	1,550	-	1,550
Interest	8,363	-	8,363
Difference between expected and actual experience	689	-	689
Changes in Assumptions	-	-	-
Contributions-Employer	-	3,100	(3,100)
Contributions-Employee	-	610	(610)
Net Investment Income	-	8,500	(8,500)
Benefit payments, including refunds	(6,843)	(6,843)	-
Administrative expense	-	(58)	58
<b>Net Changes</b>	<b>\$ 3,759</b>	<b>\$ 5,309</b>	<b>\$ (1,550)</b>
<b>Balances at June 30, 2018</b>	<b>\$ 125,110</b>	<b>\$ 114,290</b>	<b>\$ 10,820</b>

**I. Sensitivity of Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability, calculated using the discount rate, as well as what net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage-point higher than the current rate (in thousands):

<b>Oklahoma Law Enforcement Retirement System</b>			
	1% Decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Net Pension Liability (Asset)	\$ 244,831	\$ 107,117	\$ (5,853)
<b>Oklahoma Public Employees Retirement System</b>			
	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
Net Pension Liability (Asset)	\$ 976,969	\$ 152,266	\$ (546,625)
<b>Uniform Retirement System for Justices and Judges</b>			
	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
Net Pension Liability (Asset)	\$ (17,603)	\$ (44,517)	\$ (67,902)
<b>Oklahoma Police Pension and Retirement System</b>			
	1% Decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Net Pension Liability (Asset)	\$ 591	\$ (129)	\$ (1)
<b>Teachers Retirement System</b>			
	1% Decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Net Pension Liability (Asset)	\$ 2,277,213	\$ 1,601,476	\$ 1,035,784
<b>Wildlife Conservation Retirement Plan</b>			
	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
Net Pension Liability (Asset)	\$ 24,800	\$ 10,820	\$ (1,087)

## J. Deferred Outflows/Inflows of Resources

Reported deferred outflows of resources resulting from contributions subsequent to the measurement date are recognized as a decrease of the net pension liability in the year ended June 30, 2020.

### Oklahoma Law Enforcement Retirement System

At June 30, 2018, OLERS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 17,711	\$ 7,602
Net difference between projected and actual plan investment earnings	7,349	-
Changes in assumptions	702	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Contributions made since measurement date	8,923	-
Total	<u>\$ 34,685</u>	<u>\$ 7,602</u>

### Oklahoma Public Employees Retirement System

At June 30, 2018, OPERS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ -	\$ 85,754
Net difference between projected and actual plan investment earnings	-	24,908
Changes in assumptions	65,482	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,318
Contributions made since measurement date	205,888	-
Total	<u>\$ 271,370</u>	<u>\$ 113,980</u>

### Uniform Retirement State Justices and Judges

At June 30, 2018, URSJJ reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 7,017
Net difference between projected and actual plan investment earnings	-	1,555
Changes in assumptions	3,563	-
Contributions made since measurement date	7,146	-
Total	<u>\$ 10,709</u>	<u>\$ 8,572</u>

### Oklahoma Police Pension and Retirement System

At June 30, 2018, OPPRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 118
Net difference between projected and actual plan investment earnings	66	-
Changes in assumptions	56	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	38
Contributions made since measurement date	70	-
Total	<u>\$ 192</u>	<u>\$ 156</u>

## Teachers Retirement System

At June 30, 2018, TRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 110,570
Net difference between projected and actual plan investment earnings	-	27,805
Changes in assumptions	149,953	81,929
Changes in proportion and differences between employer contributions and proportionate share of contributions	33,046	-
Contributions made since measurement date	118,076	-
Total	<u>\$ 301,075</u>	<u>\$ 220,304</u>

## Wildlife Conservation Retirement Plan

At June 30, 2018, WCRP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 854	\$ 714
Net difference between projected and actual plan investment earnings	-	11
Changes in assumptions	98	-
Contributions made since measurement date	2,500	-
Total	<u>\$ 3,452</u>	<u>\$ 725</u>

## K. Amortization of Pension Deferrals

Amounts reported as deferred outflows of resources (excluding deferred outflows of resources related to contributions made subsequent to the measurement date) and deferred inflows of resources are recognized in pension expense as follows (in thousands):

	For the year ended June 30, 2018					
	Law Enforcement Retirement System	Public Employees Retirement System	Retirement System Justices and Judges	Police Pension and Retirement System	Teachers' Retirement System	Wildlife Conservation
2019	\$ 20,756	\$ 65,670	\$ 1,306	\$ 30	\$ 113,937	\$ (1,307)
2020	12,617	(9,562)	(965)	26	(3,654)	358
2021	(11,341)	(85,728)	(4,439)	(71)	(100,005)	897
2022	(3,239)	(18,878)	(911)	(23)	(49,886)	216
2023	(633)	-	-	4	1,395	63
2024	-	-	-	-	908	-
Total	<u>\$ 18,160</u>	<u>\$ (48,498)</u>	<u>\$ (5,009)</u>	<u>\$ (34)</u>	<u>\$ (37,305)</u>	<u>\$ 227</u>



- L. Payables to the Pension Plans** – The amounts presented below represent the amount, in thousands, payable from the State of Oklahoma to the pension plans at June 30, 2019. This includes both contributions payable and dedicated taxes that had yet to be paid.

	Payable at Fiscal Year End
Firefighters Pension and Retirement Plan	\$ 21,622
Law Enforcement Retirement System	4,683
Public Employees Retirement System	9,675
Retirement System Judges and Justices	5
Police Pension and Retirement System	8,985
Teachers Retirement System	53,650
Total	<u>\$ 98,620</u>

- M. State General Fund Portion** -- The amounts presented below represent net pension liability, deferred inflows, deferred outflows, and pension expense related to the various pension systems recorded to governmental activities on the *Government-Wide Statement of Net Position*. These amounts (in thousands) are determined based on actuarial valuations performed as of July 1, 2018, which is also the measurement date.

	General Fund Portion	Pension Assets	Pension Liabilities	Net Pension Liability (Asset)	Deferred Inflows	Deferred Outflows	Pension Expense
Law Enforcement Retirement System	91.176%	\$ 910,509	\$ 1,008,175	\$ 97,666	\$ 9,309	\$ 31,625	\$ 30,744
Public Employees Retirement System	75.819%	7,097,405	7,245,286	\$ 147,881	111,545	263,554	104,726
Justices and Judges Retirement System	100.000%	334,897	290,380	(44,517)	8,572	10,709	1,686
Police Pension and Retirement System	0.268%	6,858	6,729	(129)	157	192	90,000
Teachers Retirement System	1.150%	185,597	255,159	69,562	9,570	20,287	5,412
Wildlife Commission Retirement Plan	100.000%	114,290	125,110	10,820	725	3,452	1,466
Total		<u>\$ 8,649,556</u>	<u>\$ 8,930,839</u>	<u>\$ 281,283</u>	<u>\$ 139,878</u>	<u>\$ 329,819</u>	<u>\$ 234,034</u>

**N. Changes Subsequent to Measurement Date**

The following changes were made to pension plan policy since the measurement date. These changes could potentially change the calculation of net pension liability:

Oklahoma Law Enforcement Retirement System:

Senate Bill 584 updates the requirement for an information security audit for all state agencies with an information technology system not consolidated under the State. The bill also outlines the requirement for a listing of findings and related remedies. This provision became effective May 9, 2019.

Oklahoma Police Pension and Retirement System:

House Bill 2269 provides that participants in the deferred option plan can name a designated recipient; if there is no such designation, the surviving spouse (having been married to the participant for the 30 continuous months preceding death) will be the eligible recipient. The 30-month requirement does not apply in the event of a duty related death. If neither a named recipient nor a surviving spouse is an eligible recipient, payment will be made to the estate of the participant. House Bill 2269 further provides that the Council on Law Enforcement Education and Training will grant the Board access to records regarding actively working police officers in participating agencies and municipalities. Lastly House Bill 2269 allows for the final benefit payment due a member in the month they are deceased to be paid to a successor-in-interest provided it is less than the limits set in Title 58 § 393 of the state statutes. This provision became effective May 13, 2019.

**O. Defined Contribution Plans**

The ODWC’s defined contribution plan (DC plan) is a single-employer plan that covers the employees of ODWC with a hire date of July 1, 2010, or later. The DC plan provides retirement benefits to plan members and their beneficiaries. At June 30, 2019, there were 127 plan members. DC Plan members are required to contribute 5% of compensation annually.

The ODWC’s annual contribution is based on the employee’s number of completed years of credited service with the ODWC, defined as follows:

<u>Years of Credited Service</u>	<u>Compensation Contributed by Employer</u>
Less than 5	6%
At least 5, but less than 10	8%
At least 10, but less than 15	10%
At least 15 or more	12%

Employees vest in 100% of ODWC’s contributions after 5 years of credited service.

For the year ended June 30, 2019, the ODWC contributed \$360,000, and eligible employees contributed \$275,000 to the DC Plan.

House Bill 2630 and Senate Bill 2120 directed OPERS to establish a defined contribution retirement system for members first employed by a participating employer of the system on or after November 1, 2015, including statewide elected officials and legislators. The provisions of this bill are not applicable to hazardous duty members, district attorneys, assistant district attorneys or other employees of the district attorney’s office who will continue to participate in the defined benefit plan. Also excluded are employees of a county, county elected officials, county hospital, city or town, conservation district, circuit engineering district, and any public or private trust in which a county, city or town participates and is the primary beneficiary.

This defined contribution plan was created and implemented during the year ended June 30, 2016. Under this plan, participating employees contribute a minimum of 4.5% of their compensation. Participating employers match employee contributions up to 7%. In addition to the matching contributions, participating employers are required to remit to OPERS the difference between the matching contributions for defined contribution plan members and the amount the participating employer would have contributed for a defined benefit plan member.

At June 30, 2019, there were 9,208 plan members. For the year ended June 30, 2019, OPERS contributed \$14,121,000 and eligible employees contributed \$9,895,000 to the plan.

## **Note 15. Other Postemployment Benefits (OPEB)**

### **1. General Description of the Other Postemployment Benefits**

The Employees Group Insurance Division (EGID), a division of the Office of Management and Enterprise Services (OMES) manages a legal insurance trust which provides group health, life, dental and disability benefits for active employees and retirees (should they so elect) of state agencies, school districts and other governmental units. EGID, as a multi-line insurance provider, allows for retirees that are not yet eligible for Medicare benefits to participate in the insurance plans available to active employees. Current and retired employees participate in the same plans with blended premium rates creating an implicit rate subsidy for the retirees in the plan. This plan is not administered through a trust, and as a result, there are no assets to net against the total liability. Separately issued reports for the EGID plan can be obtained at <https://omes.ok.gov/services/accounting-reporting>.

The Oklahoma Department of Wildlife Conservation (ODWC), part of the primary government, at its expense, provides a health insurance allowance to retirees for the payment of health insurance premiums at retirement where the retiree elects continued coverage through EGID. This allowance is reduced when the retiree is eligible for Medicare. The coverage amount is established by ODWC on an annual basis and can be discontinued at the board’s discretion.

As mandated by statute, the Oklahoma Law Enforcement Retirement System (OLERS), Oklahoma Public Employees Retirement System (OPERS), Uniform Retirement System for Justices and Judges (URSJJ) and Teachers’ Retirement System (TRS) provide an OPEB benefit to retirees should a retiree make such an election at retirement to continue health coverage through the state’s provider, EGID. This contribution is for a fixed amount that varies slightly from pension to pension, and the contribution is included in the employer pension contribution. Methods for obtaining separately issued independent audit reports, a summary of significant accounting policies of the pension plans and the statutory authority under which OPEB benefits are required to be paid are discussed in Note 14.

Component units of the State of Oklahoma may participate in additional OPEB plans that are not reported as part of the state's structure. As a result, net OPEB asset/liability and deferred inflows/outflows related to pensions on the related financial statements may exceed that reported in the *Notes to the Financial Statements*. For further information, component unit separately audit financial statements may be obtained by contacting the Office of Management and Enterprise Services, 5005 N. Lincoln Blvd., Suite 100, Oklahoma City, OK 73105.

## 2. Employees Covered

At June 30, 2018, the following employees were covered by the benefit terms:

	Plans Outside of Trusts		OPEB Trust Funds			
	Employees Group Insurance Division	Department of Wildlife Conservation	Law Enforcement Retirement System	Uniform Retirement System for Justices and Judges	Public Employees Retirement System	Teachers' Retirement System
Active employees	31,971	201	1,267	265	36,329	88,534
Inactive participants	3,038	254	630	158	20,022	63,013
Total	35,009	455	1,897	423	56,351	151,547

## 3. Net OPEB Liability

The State of Oklahoma measured a net OPEB asset of \$27,622,000 and a net OPEB liability of \$167,158,000 as of June 30, 2018, as determined by actuarial valuations of that date.

The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

	Employees Group Insurance Division	Department of Wildlife Conservation	Law Enforcement Retirement System	Uniform Retirement System for Justices and Judges	Public Employees Retirement System	Teachers' Retirement System
Inflation	0%	3.00%	2.75%	2.75%	2.75%	2.50%
Salary Increases	3.00-11.25%	N/A	3.50-9.75%	3.75%	3.50-9.50%	3.25%
Discount Rate	3.87%	2.79%	7.50%	7.00%	7.00%	7.50%
Healthcare cost trend	7.10% - 4.60%	5.00%	N/A	N/A	N/A	N/A
Retirees' share of benefit-related costs	0%	0%	0%	0%	0%	0%

### Discount Rates

The discount rate was determined using the Bond Buyer GO 20-Bond Municipal Bond Index for EGID. The discount rate for ODWC was measured using a Fidelity 20-year municipal bond index rate (AA/Aa or higher) as of June 30, 2019. For the remainder of OPEB plans, the discount rate is determined by the expected rate of return on assets of the associated pension plan as referenced in Note 14.

### Mortality Rates

Mortality rates for EGID are based on Pub-2010 Public Retirement Plans General Mortality Table weighted by Headcount projected by MP-2018.

The ODWC based mortality rates for active and retired members on RP-2014 Employee Mortality Tables with Blue Collar Adjustment, projected to 2030 with Scale BB (separate rates for males and females). Disabled members of the ODWC plan have mortality rates calculated using the RP-2014 Mortality Table for Disabled Annuitants with Blue Collar Adjustment, projected to 2030 with Scale BB (separate rates for males and females).

OLERS uses RP-2014 Blue Collar Healthy Table with Generational Projection using Scale MP-2016 for both pre-retirement and post-retirement for retiree mortality rates. For disability mortality rates, OLERS uses RP-2014 Blue Collar Table with no projection from the 2006 base rates.

For the actuarial report prepared as of June 30, 2018, URSJJ determined mortality rates using RP-2014 Blue Collar Active Healthy Mortality Table with base rates projected to 2025 using scale MP-2016 rates set back one year. URSJJ uses RP-2014 Blue Collar Retiree Healthy Mortality Table with base rates projected to 2025 using Scale MP-2016 for retirees, and disability mortality rates were based on the post-retirement mortality rates with rates set forward twelve years.

OPERS uses RP-2014 Mortality Tables projected to 2025 by Scale MP-2016. Disabled pensioners are set forward twelve years.

TRS determines discount rate using RP-2000 Combined Healthy mortality table for males with White Collar adjustments for male retirees. Generational mortality improvements are in accordance with Scale BB from the table's base year of 2000. For female retirees, TRS uses GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements are in accordance with Scale BB from the table's base year of 2012.

### **Actuarial Assumptions**

EGID Implicit Rate Subsidy valuation report dated July 1, 2018, was based on a measured date of July 1, 2018, with a measurement period of July 1, 2017, to July 1, 2018.

ODWC actuarial assumptions in the actuarial report dated June 30, 2018, are prepared on a measured date of June 30, 2018, based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015.

The actuarial assumptions used in the June 30, 2018, valuation report by OLERS are measured as of June 30, 2018, and are based on the results of the most recent actuarial experience study, which covered the five-year period ending June 30, 2016. The experience study report is dated May 10, 2017.

URSJJ was measured as of June 30, 2018, in the valuation report of the same date, and based the actuarial assumptions on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2016. The experience study report is dated April 13, 2017.

The actuarial assumptions used in the July 1, 2018, valuation report measured at July 1, 2018, by OPERS are based on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2016. The experience study report is dated April 13, 2017.

The actuarial assumptions used in the July 1, 2018, valuation report by TRS were measured July 1, 2018, and are based on the results of the most recent actuarial experience study, which covered the five-year period ending June 30, 2014.

#### 4. Changes in the OPEB Liability

	Employees Group Insurance Division	Department of Wildlife Conservation	Law Enforcement Retirement System	Uniform Retirement System for Justices and Judges	Public Employees Retirement System	Teachers' Retirement System	Total
Total Liability at June 30, 2017	\$ 148,496	\$ 7,736	\$ 12,856	\$ 2,699	\$ 255,262	\$ 113,471	\$ 540,520
Change for the year:							
Service cost	5,190	211	343	113	6,532	1,701	14,090
Interest	5,307	273	933	183	17,362	8,208	32,266
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(1,242)	(63)	(335)	(88)	(8,274)	(2,597)	(12,599)
Changes in assumptions or other inputs	(540)	695	-	-	-	-	155
Benefit Payments	(11,009)	(408)	(855)	(183)	(14,708)	(9,782)	(36,945)
Change in Total Liability	\$ (2,294)	\$ 708	\$ 86	\$ 25	\$ 912	\$ (2,470)	\$ (3,033)
Total Liability at June 30, 2018	\$ 146,202	\$ 8,444	\$ 12,942	\$ 2,724	\$ 256,174	\$ 111,001	\$ 537,487
Plan Net Position at June 30, 2017	\$ -	\$ -	\$ -	\$ 2,891	\$ 246,320	\$ 125,273	\$ 374,484
Change for the year:							
Contributions - Employer	11,009	-	1,285	180	14,895	771	28,140
Net investment income	-	-	-	251	19,909	11,846	32,006
Benefit payments	(11,009)	-	(855)	(182)	(14,708)	(9,782)	(36,536)
Administrative expense	-	-	-	(1)	(139)	(3)	(143)
Change in Net Position	\$ -	\$ -	\$ 430	\$ 248	\$ 19,957	\$ 2,832	\$ 23,467
Total Net Position at June 30, 2018	\$ -	\$ -	\$ 430	\$ 3,139	\$ 266,277	\$ 128,105	\$ 397,951
Total OPEB Liability (Asset)	\$ 146,202	\$ 8,444	\$ 12,512	\$ (415)	\$ (10,103)	\$ (17,104)	\$ 139,536

*(Balances are shown, in thousands, as of the measurement date.)*

#### Changes in Assumptions and Other Inputs:

Employees Group Insurance Division: The discount rate to calculate liabilities was changed from 3.58% as of July 1, 2017, to 3.87% as of July 1, 2018.

The mortality assumption used to calculate liabilities was changed from the RP-2006 combined healthy mortality table with a fully generational projection using Scale MP-2017 as of July 1, 2017, to the Pub-2010 Public Retirement Plans General Mortality Table weighted by headcount projected by MP-2018 as of July 1, 2018.

Oklahoma Department of Wildlife Conservation: The discount rate to calculate liabilities was changed from 3.62% as of July 1, 2018, to 2.79% as of July 1, 2019.

**5. Sensitivity of the OPEB Liability to Changes in the Discount Rate**

The following presents the OPEB liability of the State of Oklahoma, as well as what the state’s OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate (in thousands):

Employees Group Insurance Division

	1% Decrease <u>(2.87%)</u>	Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
Total OPEB Liability	\$ 156,005	\$ 146,202	\$ 137,078

Department of Wildlife Conservation

	1% Decrease <u>(1.79%)</u>	Discount Rate <u>(2.79%)</u>	1% Increase <u>(3.79%)</u>
Total OPEB Liability	\$ 9,416	\$ 8,444	\$ 7,617

Law Enforcement Retirement System

	1% Decrease <u>(6.50%)</u>	Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Net OPEB Liability	\$ 13,968	\$ 12,512	\$ 11,287

Uniform Retirement System for Justices and Judges

	1% Decrease <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Net OPEB Liability	\$ (188)	\$ (415)	\$ (613)

Public Employees Retirement System

	1% Decrease <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Net OPEB Liability	\$ 16,085	\$ (10,103)	\$ (32,627)

Teachers Retirement System

	1% Decrease <u>(6.50%)</u>	Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Net OPEB Liability	\$ (6,007)	\$ (17,104)	\$ (26,584)

## Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the net OPEB liability at June 30, 2019, calculated using the healthcare trend rate, as well as what the trend rate increasing or decreasing by 1-percentage-point. Only the EGID implicit rate subsidy and ODWC are affected by the healthcare trend rate.

### Employee Group Insurance Division

	1% Decrease (6.10% - 3.60%)	Discount Rate (7.10% - 4.60%)	1% Increase (8.10% - 5.60%)
Total OPEB Liability	\$ 133,040	\$ 146,202	\$ 161,480

### Oklahoma Department of Wildlife Conservation

	1% Decrease (4.00%)	Discount Rate (5.00%)	1% Increase (6.00%)
Total OPEB Liability	\$ 8,416	\$ 8,444	\$ 8,469

## 6. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

The following tables illustrate the deferred inflows and outflows as of June 30, 2019, based on the requirements of GASB Statement number 75 (in thousands):

	Employees Group Insurance Division	Department of Wildlife Conservation	Law Enforcement Retirement System	Uniform Retirement System for Justices and Judges	Public Employees Retirement System	Teachers' Retirement System	Total
<b>Deferred Outflows:</b>							
Changes of assumptions or other inputs	\$ -	\$ 704	\$ 207	\$ -	\$ 5,813	\$ 267	\$ 6,991
Subsequent contributions	11,698	408	1,285	187	14,633	232	28,443
Total deferred outflows	<u>\$ 11,698</u>	<u>\$ 1,112</u>	<u>\$ 1,492</u>	<u>\$ 187</u>	<u>\$ 20,446</u>	<u>\$ 499</u>	<u>\$ 35,434</u>
<b>Deferred Inflows:</b>							
Changes of assumptions or other inputs	\$ (5,581)	\$ (72)	\$ (225)	\$ -	\$ -	\$ -	\$ (5,878)
Changes in proportion	-	-	(194)	-	-	-	(194)
Differences between expected and actual experience	-	-	(664)	-	(15,884)	(4,766)	(21,314)
Differences between projected and actual investment earnings	-	-	-	-	(9,368)	(7,086)	(16,454)
Total deferred inflows	<u>\$ (5,581)</u>	<u>\$ (72)</u>	<u>\$ (1,083)</u>	<u>\$ -</u>	<u>\$ (25,252)</u>	<u>\$ (11,852)</u>	<u>\$ (43,840)</u>
OPEB Expense	<u>\$ 8,500</u>	<u>\$ 408</u>	<u>\$ 1,116</u>	<u>\$ 182</u>	<u>\$ 1,794</u>	<u>\$ (2,320)</u>	<u>\$ 9,680</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows (in thousands):

Year ended June 30:	Employees Group Insurance Division	Department of Wildlife Conservation	Law Enforcement Retirement System	Uniform Retirement System for Justices and Judges	Public Employees Retirement System	Teachers' Retirement System	Total
2020	\$ (1,996)	\$ 133	\$ (144)	\$ -	\$ (4,996)	\$ (3,175)	\$ (10,178)
2021	(1,996)	133	(144)	-	(5,017)	(3,125)	(10,149)
2022	(1,352)	133	(144)	-	(5,017)	(3,125)	(9,505)
2023	(237)	133	(144)	-	(2,605)	(1,507)	(4,360)
2024	-	81	(147)	-	(1,618)	(597)	(2,281)
Thereafter	-	19	(153)	-	(186)	(56)	(376)

## Note 16. On-Behalf Payments

The Oklahoma Teachers Retirement System (TRS) receives 5% of the state's sales, use, corporate and individual income taxes collected as dedicated tax. Senate Bill 1376, which became law in July 2002, provides that the percentage of the state's collected dedicated taxes allocated to TRS increased from 4.5% to 5.0% on July 1, 2007, and thereafter. TRS receives 1% of the cigarette taxes and 5% of the net lottery proceeds collected by the state. TRS received approximately \$371,671,000 from the state for the year ended June 30, 2019.

The Oklahoma Firefighters Pension and Retirement System receives 36% of the state's insurance premium tax revenue. The Oklahoma Firefighters Pension and Retirement System received approximately \$101,700,000 from the state for the year ended June 30, 2019. Of the same insurance premium tax revenue, the Oklahoma Police Pension and Retirement System and Oklahoma Law Enforcement Retirement System receive 14% and 5%, respectively. Oklahoma Police Pension and Retirement System and Oklahoma Law Enforcement Retirement System received approximately \$39,559,000 and \$14,125,000 from the state for the year ended June 30, 2019, respectively.

## Note 17. Commitments

### Primary Government

For the year ended June 30, 2019, the general fund had encumbrances of \$877,442,000 within the restricted and committed fund balances of the governmental funds.

The Department of Transportation had contractual commitments at June 30, 2019, of approximately \$931,435,000 for the construction of various highway projects. Future appropriations will fund these commitments as work is performed.

The Department of Human Services maintains a construction unit which engages in capital improvements of state buildings. At year end, the Department of Human Services had long-term projects totaling \$7,732,000 for the general fund.

The Oklahoma Capital Improvement Authority has issued bonds in the aggregate principal amount of \$120,000,000 for the Office of Management and Enterprise Services to provide funding for repairs, refurbishments and improvements to the State Capitol Building. This bond issuance is the first series of obligations sold under two authorizations totaling \$245,000,000 for the Capitol Repair Project.

### Component Units

The University of Oklahoma had outstanding commitments under construction contracts totaling \$8,396,000 at June 30, 2019.

Oklahoma State University had outstanding commitments under construction contracts of approximately \$17,460,000 at June 30, 2019.



The Oklahoma Turnpike Authority had commitments outstanding at December 31, 2018, relating to equipment orders and supplies of approximately \$22,700,000. At December 31, 2018, the Oklahoma Turnpike Authority had commitments outstanding relating to construction and maintenance contracts of approximately \$260,200,000.

The Oklahoma Municipal Power Authority purchased approximately \$15,643,000 of power pursuant to several long-term purchase agreements during 2018. The Oklahoma Municipal Power Authority is obligated to purchase, at a minimum, approximately \$15,711,000 of power in 2019.

The Grand River Dam Authority (GRDA) makes and receives commitments for purchases of coal and other materials. The authority had contractual commitments at December 31, 2019 for long-term coal and freight purchases under contracts through 2025. The estimated minimum obligations are \$42,586,000 for the next fiscal year ending December 31, 2019, and total obligations are \$327,115,000 through 2025.

## **Note 18. Litigation and Contingencies**

The state and its component units are parties to numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the state for property damage and personal injury, alleged breaches of contract, condemnation proceedings, and other alleged violations of state and federal laws. Certain claims have been adjudicated against the state but remained unpaid as of June 30, 2019.

The state receives significant financial assistance from the federal government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the state.

### **Primary Government**

Through the normal course of operations there are many legal cases which involve the state as a party. Most of these cases are currently deemed to have a remote chance of loss or will result in a gain to the state. The assessment of several cases indicates there is the reasonably possible or probable chance of a loss occurring to the state. Current estimates for these losses range from \$1,000 to \$943,000.

The Department of Transportation has incurred significant expenditures on construction projects that have exceeded the amounts approved by the federal grantor. These project expenditures are held in suspense until approved by the federal grantor and subsequently reimbursed. Based on prior years' experience, the reimbursement of expenditures is highly probable. At June 30, 2019, Department of Transportation has project expenditures totaling \$22,471,000 that will be reimbursed pending approval of the federal government.

### **Component Units**

The Oklahoma Capital Investment Board (OCIB), as a public trust of the State of Oklahoma, has authority to transfer tax credits to public entities. Tax credits can be transferred by OCIB in conjunction with a legitimate call on an OCIB guarantee. As of June 30, 2019, OCIB had a maximum commitment line of credit of \$4,000,000. As of June 30, 2019, the line of credit had an outstanding balance of \$3,972,000. All the outstanding balance is classified as long-term debt.

The credits and OCIB's right to transfer the credits expire if not utilized by July 1, 2020. As of June 30, 2019, \$39,215,000 of tax credits were transferred. Four entities currently have signed agreements to purchase up to an aggregate of \$8,000,000 of tax credits per year at the sole discretion of OCIB. OCIB has the authority to issue up to \$20,000,000 of tax credits per year with an overall maximum of \$100,000,000. Of the remaining \$60,785,000, an allowance of \$40,785,000 was written off as expiring. If the legislature extends the tax credits at a future date, OCIB will record an amount to recapture the allowance.

## **Note 19. Tax Abatements**

The State of Oklahoma provides tax abatements under six programs: Historic Rehabilitation tax credits, Quality Jobs programs (Quality Jobs, Small Employer and 21<sup>st</sup> Century), Oklahoma Film Enhancement rebates, the Quality Events Program, Small Business Incubators (Sponsors and Tenants) and New Products Development Income Tax Exemptions. Tribal compacts with Native American tribes also provide abatements to cigarette tax collections.

The Historic Rehabilitation Tax Credits Program established by the Legislature (68 O.S. § 2357.41) promotes the rehabilitation of historic structures of every period. These credits can be claimed at any time after the relevant local governmental body responsible for doing so issues a certificate of occupancy or other document that is a precondition for the applicable use of the building or structure. During the fiscal year ended June 30, 2019, estimated tax credits in the amount of \$24,337,000 were approved for 27 structures. Historic Rehabilitation tax credits used to reduce tax liability in 2018 was \$5,736,000.

Three quality jobs programs are administered by the Oklahoma Department of Commerce (ODOC) for which the state provides incentive payments that are paid from income tax collections:

The Oklahoma Quality Jobs Program was established by the Legislature (68 O.S. § 3601) to provide an incentive for companies to expand or relocate jobs to Oklahoma. Companies meeting certain statutory requirements can receive a rebate up to 5% of new taxable payroll for up to 10 years. The requirements include creating jobs within a qualifying industry as noted by the North American Industry Classification System description; paying wages on the newly created jobs equal to the average county wage or state threshold wage, whichever is lower; achieving \$2,500,000 in new annual taxable payroll within three years; and offering basic health insurance to employees within 180 days of employment. Companies can receive up to a 6% rebate if at least 10% of new payroll is comprised of qualified military veterans.

Under certain circumstances, some program requirements may be amended or waived.

A company that participates in the Oklahoma Quality Jobs Program but fails to maintain a business presence in the state of Oklahoma within three years of start date must repay all program benefits they received and may not re-apply for the program for one year following dismissal.

The Small Employer Quality Jobs Program (68 O.S. §3901) was established to provide appropriate incentives to support the creation of quality jobs, particularly for small businesses, in basic industries in the state. Companies applying for the Small Employer program must have 90 employees or less at the time of application to the program. Rebates under the program are received for up to seven years. Program requirements include creating a minimum number of new jobs based on the population of the community where the company is located; having 35% out-of-state sales for the first two years and subsequently 60% out-of-state sales; paying the newly created jobs at 110% of the average county wage; and offering basic health insurance within 180 days of employment (the employee must not pay more than 50% of the premium).

The 21<sup>st</sup> Century Quality Jobs Program (68 O.S. §3911-3920) was established to provide appropriate incentives to attract growth industries and sectors to Oklahoma in the 21st century through a policy of rewarding businesses with a highly skilled, knowledge-based workforce. The program allows a net benefit rate of up to ten percent of payroll for up to ten years and requires at least ten full-time jobs at an annual average wage of the lesser of \$95,243 (the state wage, which is indexed every year) or 300% of the county's average wage. Out-of-state sales for the company must be at least 50% for most participants. The program targets industries, such as knowledge-based service industries, including professional, scientific and technical services; music, film and performing arts; and specialty hospitals.

During the fiscal year ended June 30, 2019, 97 companies received payments totaling \$69,629,000 as part of Quality Jobs Programs.

To increase the attractiveness of Oklahoma as a location for the film industry, the Oklahoma Film Enhancement rebate was established by the Legislature (68 O.S. §§ 3621-3626). A rebate, of up to 35% of documented expenditures made in Oklahoma directly attributable to the production of film, television production, or television commercials, may be paid to the production company. The Oklahoma Film and Music Commission and the Oklahoma Tax Commission (OTC) administer the program. During the fiscal year ended June 30, 2019, fifteen film companies were rebated corporate income tax amounting to \$5,315,000.

The Quality Events Incentive (68 O.S. §4301-4311) was designed to promote certain quality events that have a significant positive economic impact. A quality event is a new event of a meeting of a nationally recognized organization, a new or existing event that is a national, international or world championship, or a new or existing event that is managed or produced by an Oklahoma based national or international organization. The host community must submit a resolution and information pertaining to the event (geographic area, length of time for revenue capture, expenses, event history, and economic impact) to OTC within 30 days of the date on which the host community adopts the ordinance or resolution. OTC will then approve or disapprove the impact study. ODOC and the Oklahoma Tourism and Recreation Department provide assistance and information, as requested, by OTC to approve or disapprove an economic impact study.

During the fiscal year ended June 30, 2019, nine events were certified by the Quality Events Incentive Program, and \$448,000 in sales tax was abated.

A business incubator is a facility in which small businesses may rent space and where management provides business development services, such as financial consulting and marketing assistance. The Small Business Incubators program offers tax exemptions for both sponsors (74 O.S. §5075) and tenants (74 O.S. §5078) of business incubators that register with ODOC.

The income of a sponsor of a certified incubator is exempt from Oklahoma income taxes on income earned from rental fees, other income derived from services provided to the tenants, or for providing funding for an incubator site.

The tenant is exempt from state tax liability on income earned as a result of activities conducted as an occupant in a certified incubator for up to ten years from the occupancy date in an incubator site in accordance with rules of OTC. The exemption remains in effect after the date the tenant is no longer an occupant in an incubator, but not to exceed a total of ten years.

Reporting for tax exemptions related to business incubator tenants and sponsors is commingled with other tax exemptions on the forms provided to OTC. As a result, it is not possible to determine the amount of tax abated during the fiscal year ended June 30, 2019.

Under the New Products Development Income Tax Exemption (74 O.S. § 5064.7), royalties earned by an inventor from a product developed and manufactured in the State of Oklahoma shall be exempt from state income tax for a period of seven years from the first year in which such royalty is received as long as the manufacturer remains in the state. In addition, such manufacturer may exclude from Oklahoma taxable income, or in the case of an individual, the Oklahoma adjusted gross income, 65% of the cost of depreciable property purchased and utilized directly in manufacturing the product. To qualify for the incentives, the product shall be patented or have patent pending pursuant to federal law and shall be registered with Oklahoma Center for the Advancement of Science and Technology.

The reporting for tax exemptions related to New Products Development Income Tax Exemptions are commingled with other tax exemptions on the forms provided to OTC. As a result, it is not possible to determine the amount of tax abated during the fiscal year ended June 30, 2019.

Thirty-four Native American tribes, governed within the state’s borders, collect cigarette taxes on behalf of the state through compact agreements. Only a portion of the taxes are remitted to the state, with the tribe retaining the remainder as defined by the compact agreement. During the fiscal year ending June 30, 2019, the amount of tax retained by tribes ranged from 50-75% and resulted in \$60,801,000 of tax abatements.

Information relevant to disclosure of those programs for the fiscal year ended June 30, 2019 is:

Tax Abatement Program	Amount of Taxes Abated (in thousands)
Historic Rehabilitation Tax Credits Used	\$ 5,736
Quality Jobs Programs	69,629
Oklahoma Film Enhancement Rebate	5,315
Quality Events Program	448
Cigarette Tax Tribal Compacts	60,801

## **Note 20. Subsequent Events**

Oklahoma Capital Improvement Authority authorized tax-backed bonds totaling \$189,450,000 for outstanding tax-exempt issues. Oklahoma Capital Improvement Authority issued \$59,895,000 from this authorization after June 30, 2019.

### **Component Unit**

Oklahoma State University has authorized but unissued tax-backed bonds totaling \$35,000,000 for the construction of facilities to expand telemedicine to rural areas in Oklahoma.

Oklahoma Development Finance Authority issued three series of tax-backed bonds since June 30, 2019, for a total of \$14,380,000.

Oklahoma Housing Finance Authority (OHFA) issued two series of single-family revenue bonds since its fiscal year end of September 30, 2018, in the amount of \$111,065,000. These bonds are obligations of OHFA.

OHFA also issued four series of multi-family revenue bonds which are considered nonrecourse (conduit) debt in the amount of \$63,500,000. These bonds are not financial obligations of OHFA or the state.

Oklahoma Municipal Power Authority issued revenue bonds for \$59,105,000 since June 30, 2019.

During fiscal year 2019, the Oklahoma Educational Television Authority (OETA), a non-major component unit of the state, severed ties with the OETA Foundation (Foundation), a component unit of the entity. Friends of OETA was created to replace the functions previously provided by the Foundation. Due to complications from the change in structure, OETA was unable to complete financial reporting by the state's statutory deadline. As a result, the information reported in the Component Unit financial statements for OETA is measured as of June 30, 2018.

On December 6, 2019, Grand River Dam Authority and a coal provider reached a legal settlement for disputed liquidated damages, as well as terminating existing contracts, in the amount of \$24,000,000. Of this amount, \$4,351,000 was accrued and included in the year-end financial statements dated December 31, 2018.

### **Proprietary**

Oklahoma Water Resources Board has authorization to issue general obligation bonds up to \$300,000,000 for the state loan program.

Oklahoma Water Resources Board issued revenue bonds in the amount of \$25,635,000 subsequent to the fiscal year end of June 30, 2019.



Cattle stream through the exit after an auction at the Oklahoma National Stockyards.



Buyers and sellers keep tabs on the auction action from the seats in the auction arena.



Budgetary Comparison Schedule  
Budget to Actual (Non-GAAP Budgetary Basis)

General Fund

For the Fiscal Year Ended June 30, 2019  
(expressed in thousands)

		GENERAL FUND				
		BUDGET			ACTUAL	VARIANCE
		ORIGINAL	Amendments	FINAL		
<b>EDUCATION</b>						
<b>State Arts Council</b>						
01	Duties	\$ 2,799	\$ -	\$ 2,799	\$ 1,435	\$ 1,364
	Agency Total	\$ 2,799	\$ -	\$ 2,799	\$ 1,435	\$ 1,364
<b>Department Of Education</b>						
01	Financial support of Public Schools	\$ 1,373,201	\$ -	\$ 1,373,201	\$ 1,372,472	\$ 729
01	Financial support of Public Schools (Min Lea)	2,850	-	2,850	2,850	-
02	Financial support of Public Schools (Min Lea)	211	-	211	211	-
03	Financial support of Public Schools (Min Lea)	910	-	910	910	-
02	Public School Activities	91,319	-	91,319	74,193	17,126
03	Textbooks	33,000	-	33,000	33,000	-
04	Certified Employee Health Benefit Allow ance	315,478	-	315,478	315,478	-
05	Support Personnel Health Benefit Allow ance	171,905	-	171,905	171,905	-
06	Administrative and Support Functions	15,980	-	15,980	10,262	5,718
01	Ad Valorem Reimbursement Fund	-	99,600	99,600	99,600	-
	Agency Total	\$ 2,004,854	\$ 99,600	\$ 2,104,454	\$ 2,080,881	\$ 23,573
<b>Office of Educational Quality and Accountability</b>						
01	Duties	\$ 500	\$ -	\$ 500	\$ 498	\$ 2
01	Duties	1,125	-	1,125	511	614
	Agency Total	\$ 1,625	\$ -	\$ 1,625	\$ 1,009	\$ 616
<b>Commission of the Land Office</b>						
01	Duties	\$ 8,654	\$ -	\$ 8,654	\$ 7,368	\$ 1,286
11	FY18 Carryover	-	350	350	177	173
	Agency Total	\$ 8,654	\$ 350	\$ 9,004	\$ 7,545	\$ 1,459
<b>Department of Libraries</b>						
01	Duties	\$ 4,483	\$ -	\$ 4,483	\$ 4,190	\$ 293
11	FY18 Carryover	-	36	36	36	-
	Agency Total	\$ 4,483	\$ 36	\$ 4,519	\$ 4,226	\$ 293
<b>Physician Manpower Training Commission</b>						
01	Duties	\$ 2,901	\$ -	\$ 2,901	\$ 2,278	\$ 623
01	Duties	400	-	400	317	83
	Agency Total	\$ 3,301	\$ -	\$ 3,301	\$ 2,595	\$ 706

		GENERAL FUND					
		BUDGET					
		ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE	
<b>Center for Advancement of Science and Technology</b>							
01	Duties	\$ 13,357	\$ -	\$ 13,357	\$ 12,369	\$ 988	
	Agency Total	\$ 13,357	\$ -	\$ 13,357	\$ 12,369	\$ 988	
<b>Oklahoma School of Science and Math</b>							
01	Duties	\$ 6,205	\$ -	\$ 6,205	\$ 5,235	\$ 970	
11	FY 18 Carryover	-	744	744	739	5	
	Agency Total	\$ 6,205	\$ 744	\$ 6,949	\$ 5,974	\$ 975	
<b>Department of Career and Technology Education</b>							
01	Duties	\$ 120,388	\$ -	\$ 120,388	\$ 110,906	\$ 9,482	
18	FY 18 Carryover	-	7,303	7,303	7,303	-	
	Agency Total	\$ 120,388	\$ 7,303	\$ 127,691	\$ 118,209	\$ 9,482	
<b>Education Total</b>							
		\$ 2,165,666	\$ 108,033	\$ 2,273,699	\$ 2,234,243	\$ 39,456	
<b>GENERAL GOVERNMENT</b>							
<b>Office of Management and Enterprise Services</b>							
01	Duties	\$ 31,710	\$ -	\$ 31,710	\$ 27,187	\$ 4,523	
01	For transfer to Bldg & Fac Revolv ( Fund 245)	2,902	-	2,902	2,902	-	
02	For transfer to Bldg & Fac Revolv ( Fund 245)	1,476	-	1,476	1,476	-	
02	Duties-NACEA	5,962	-	5,962	5,962	-	
11	FY 18 Carryover	-	249	249	237	12	
	Agency Total	\$ 42,050	\$ 249	\$ 42,299	\$ 37,764	\$ 4,535	
<b>Department of Commerce</b>							
01	Duties	\$ 15,392	\$ -	\$ 15,392	\$ 12,296	\$ 3,096	
02	Duties - NACEA	-	5,000	5,000	-	5,000	
11	FY 18 Carryover	-	89	89	60	29	
21	FY 17 Carryover	-	722	722	722	-	
	Agency Total	\$ 15,392	\$ 5,811	\$ 21,203	\$ 13,078	\$ 8,125	
<b>State Election Board</b>							
01	Duties	\$ 5,347	\$ -	\$ 5,347	\$ 4,267	\$ 1,080	
01	Duties	2,500	-	2,500	1,366	1,134	
11	FY 18 Carryover	-	906	906	906	-	
14	FY 18 Carryover	-	1,259	1,259	1,259	-	
	Agency Total	\$ 7,847	\$ 2,165	\$ 10,012	\$ 7,798	\$ 2,214	
<b>Ethics Commission</b>							
01	Duties	\$ 710	\$ -	\$ 710	\$ 708	\$ 2	
	Agency Total	\$ 710	\$ -	\$ 710	\$ 708	\$ 2	
<b>Merit Protection Commission</b>							
01	Duties	\$ 361	\$ -	\$ 361	\$ 242	\$ 119	
	Agency Total	\$ 361	\$ -	\$ 361	\$ 242	\$ 119	
<b>State Auditor and Inspector</b>							
01	Duties	\$ 3,426	\$ -	\$ 3,426	\$ 3,402	\$ 24	
02	County Govt Personnel Educ & Trng	223	-	223	205	18	
11	FY 18 Carryover	-	9	9	9	-	
	Agency Total	\$ 3,649	\$ 9	\$ 3,658	\$ 3,616	\$ 42	
<b>Governor</b>							
01	Duties	\$ 1,676	\$ -	\$ 1,676	\$ 1,543	\$ 133	
	Agency Total	\$ 1,676	\$ -	\$ 1,676	\$ 1,543	\$ 133	



		GENERAL FUND				
		BUDGET			ACTUAL	VARIANCE
		ORIGINAL	Amendments	FINAL		
<b>Lieutenant Governor</b>						
01	Duties	\$ 379	\$ -	\$ 379	\$ 359	\$ 20
11	FY18 Carryover	-	107	107	66	41
21	FY17 Carryover	-	2	2	2	-
	Agency Total	\$ 379	\$ 109	\$ 488	\$ 427	\$ 61
<b>Tax Commission</b>						
01	Duties	\$ 45,525	\$ -	\$ 45,525	\$ 40,598	\$ 4,927
	Agency Total	\$ 45,525	\$ -	\$ 45,525	\$ 40,598	\$ 4,927
<b>Treasurer</b>						
01	Duties	\$ 2,684	\$ -	\$ 2,684	\$ 1,067	\$ 1,617
01	State Land Reimbursements	95	-	95	95	-
11	FY18 Carryover	-	1,239	1,239	1,072	167
21	FY17 Carryover	-	269	269	269	-
	Agency Total	\$ 2,779	\$ 1,508	\$ 4,287	\$ 2,503	\$ 1,784
<b>General Government Total</b>		\$ 120,368	\$ 9,851	\$ 130,219	\$ 108,277	\$ 21,942
<b>HEALTH SERVICES</b>						
<b>Department of Health</b>						
01	Duties	\$ 54,875	\$ -	\$ 54,875	\$ 38,308	\$ 16,567
	Agency Total	\$ 54,875	\$ -	\$ 54,875	\$ 38,308	\$ 16,567
<b>Mental Health and Substance Abuse</b>						
01	Duties	\$ 337,108	\$ -	\$ 337,108	\$ 286,155	\$ 50,953
	Agency Total	\$ 337,108	\$ -	\$ 337,108	\$ 286,155	\$ 50,953
<b>Health Care Authority</b>						
01	Duties (to Disbursing Funds 200 and 340)	\$ 973,842	\$ -	\$ 973,842	\$ 973,842	\$ -
02	OSU and OU for GME	-	110,044	110,044	110,044	-
05	Duties (to Disbursing Funds 200 and 340)	30,000	-	30,000	30,000	-
	Agency Total	\$ 1,003,842	\$ 110,044	\$ 1,113,886	\$ 1,113,886	\$ -
<b>Health Services Total</b>		\$ 1,395,825	\$ 110,044	\$ 1,505,869	\$ 1,438,349	\$ 67,520
<b>LEGAL AND JUDICIARY</b>						
<b>Indigent Defense System</b>						
01	Duties	\$ 17,129	\$ -	\$ 17,129	\$ 14,100	\$ 3,029
	Agency Total	\$ 17,129	\$ -	\$ 17,129	\$ 14,100	\$ 3,029
<b>Attorney General</b>						
01	Duties	\$ 9,362	\$ -	\$ 9,362	\$ 8,866	\$ 496
02	For transfer to the Legal Services Rev Fund	899	-	899	899	-
14	FY18 Carryover	-	343	343	-	343
	Agency Total	\$ 10,261	\$ 343	\$ 10,604	\$ 9,765	\$ 839
<b>Court of Criminal Appeals</b>						
01	Duties	\$ 3,952	\$ -	\$ 3,952	\$ 3,666	\$ 286
	Agency Total	\$ 3,952	\$ -	\$ 3,952	\$ 3,666	\$ 286
<b>District Courts</b>						
01	Duties - District Courts	\$ 14,423	\$ -	\$ 14,423	\$ 14,423	\$ -
02	Duties - District Courts	-	2,500	2,500	2,500	-
	Agency Total	\$ 14,423	\$ 2,500	\$ 16,923	\$ 16,923	\$ -

		GENERAL FUND				
		BUDGET			ACTUAL	VARIANCE
		ORIGINAL	Amendments	FINAL		
<b>Supreme Court</b>						
01	Duties	\$ 8,198	\$ -	\$ 8,198	\$ 7,535	\$ 663
11	FY18 Carryover	-	1,414	1,414	1,414	-
	Agency Total	\$ 8,198	\$ 1,414	\$ 9,612	\$ 8,949	\$ 663
<b>Legal and Judiciary Total</b>		\$ 53,963	\$ 4,257	\$ 58,220	\$ 53,403	\$ 4,817
<b>MUSEUMS</b>						
<b>J.M. Davis Arms and Historical Museum</b>						
01	Duties	\$ 243	\$ -	\$ 243	\$ 242	\$ 1
	Agency Total	\$ 243	\$ -	\$ 243	\$ 242	\$ 1
<b>Historical Society</b>						
01	Duties	\$ 11,407	\$ -	\$ 11,407	\$ 11,078	\$ 329
	Agency Total	\$ 11,407	\$ -	\$ 11,407	\$ 11,078	\$ 329
<b>Museums Total</b>		\$ 11,650	\$ -	\$ 11,650	\$ 11,320	\$ 330
<b>NATURAL RESOURCES</b>						
<b>Department of Agriculture</b>						
01	Duties	\$ 22,734	\$ -	\$ 22,734	\$ 21,098	\$ 1,636
01	Duties	2,093	-	2,093	2,093	-
	Agency Total	\$ 24,827	\$ -	\$ 24,827	\$ 23,191	\$ 1,636
<b>Department of Environmental Quality</b>						
01	Duties	\$ 6,494	\$ -	\$ 6,494	\$ 6,248	\$ 246
	Agency Total	\$ 6,494	\$ -	\$ 6,494	\$ 6,248	\$ 246
<b>Department of Tourism and Recreation</b>						
01	Duties	\$ 18,096	\$ -	\$ 18,096	\$ 15,692	\$ 2,404
	Agency Total	\$ 18,096	\$ -	\$ 18,096	\$ 15,692	\$ 2,404
<b>Conservation Commission</b>						
01	Duties	\$ 9,726	\$ -	\$ 9,726	\$ 8,113	\$ 1,613
11	FY18 Carryover	-	915	915	-	915
	Agency Total	\$ 9,726	\$ 915	\$ 10,641	\$ 8,113	\$ 2,528
<b>Water Resources Board</b>						
01	Duties	\$ 5,343	\$ -	\$ 5,343	\$ 5,068	\$ 275
11	FY18 Carryover	-	151	151	151	-
	Agency Total	\$ 5,343	\$ 151	\$ 5,494	\$ 5,219	\$ 275
<b>Natural Resources Total</b>		\$ 64,486	\$ 1,066	\$ 65,552	\$ 58,463	\$ 7,089
<b>PUBLIC SAFETY AND DEFENSE</b>						
<b>Oklahoma Military Department</b>						
01	Duties	\$ 10,195	\$ -	\$ 10,195	\$ 9,012	\$ 1,183
	Agency Total	\$ 10,195	\$ -	\$ 10,195	\$ 9,012	\$ 1,183
<b>Alcohol Beverage Laws Enforcement</b>						
01	Duties	\$ 2,490	\$ -	\$ 2,490	\$ 2,467	\$ 23
01	Duties	500	-	500	498	2
	Agency Total	\$ 2,990	\$ -	\$ 2,990	\$ 2,965	\$ 25
<b>Department of Corrections</b>						
01	Duties	\$ 512,876	\$ -	\$ 512,876	\$ 481,780	\$ 31,096
02	Duties	4,380	-	4,380	4,380	-
31	FY18 Carryover	-	295	295	295	-
	Agency Total	\$ 517,256	\$ 295	\$ 517,551	\$ 486,455	\$ 31,096

		GENERAL FUND				
		BUDGET			ACTUAL	VARIANCE
		ORIGINAL	Amendments	FINAL		
<b>District Attorney's Council</b>						
01	Duties (w/ allowance to transfer \$491,014 to 22500)	\$ 36,073	\$ -	\$ 36,073	\$ 35,909	\$ 164
	Agency Total	\$ 36,073	\$ -	\$ 36,073	\$ 35,909	\$ 164
<b>Pardon and Parole Board</b>						
01	Duties	\$ 2,333	\$ -	\$ 2,333	\$ 1,192	\$ 1,141
	Agency Total	\$ 2,333	\$ -	\$ 2,333	\$ 1,192	\$ 1,141
<b>State Bureau of Investigation</b>						
01	Duties	\$ 12,364	\$ -	\$ 12,364	\$ 12,364	\$ -
	Agency Total	\$ 12,364	\$ -	\$ 12,364	\$ 12,364	\$ -
<b>Department of Emergency Management</b>						
01	Duties	\$ 496	\$ -	\$ 496	\$ 415	\$ 81
	Agency Total	\$ 496	\$ -	\$ 496	\$ 415	\$ 81
<b>Board of Medicolegal Investigations</b>						
01	Duties	\$ 11,131	\$ -	\$ 11,131	\$ 9,644	\$ 1,487
	Agency Total	\$ 11,131	\$ -	\$ 11,131	\$ 9,644	\$ 1,487
<b>Council on Law Enforcement, Education, and Training</b>						
01	Duties	\$ 2,765	\$ -	\$ 2,765	\$ 2,587	\$ 178
02	Duties	83	-	83	-	83
	Agency Total	\$ 2,848	\$ -	\$ 2,848	\$ 2,587	\$ 261
<b>Bureau of Narcotics and Dangerous Drugs</b>						
01	Duties	\$ 3,142	\$ -	\$ 3,142	\$ 3,142	\$ -
	Agency Total	\$ 3,142	\$ -	\$ 3,142	\$ 3,142	\$ -
<b>Department of Public Safety</b>						
01	Duties	\$ 74,962	\$ -	\$ 74,962	\$ 60,829	\$ 14,133
01	Duties (from HB 3208 St Public Safety fund)	21,744	-	21,744	21,475	269
01	Duties (From CLEET Fund)	494	-	494	475	19
02	Duties (from HB 3208 St Public Safety fund)	411	-	411	411	-
	Agency Total	\$ 97,611	\$ -	\$ 97,611	\$ 83,190	\$ 14,421
<b>Public Safety and Defense Total</b>		\$ 696,439	\$ 295	\$ 696,734	\$ 646,875	\$ 49,859
<b>REGULATORY SERVICES</b>						
<b>Department of Mines</b>						
01	Duties	\$ 776	\$ -	\$ 776	\$ 720	\$ 56
21	FY17 Carryover	-	34	34	34	-
	Agency Total	\$ 776	\$ 34	\$ 810	\$ 754	\$ 56
<b>Corporation Commission</b>						
01	Duties	\$ 10,628	\$ -	\$ 10,628	\$ 10,026	\$ 602
	Agency Total	\$ 10,628	\$ -	\$ 10,628	\$ 10,026	\$ 602
<b>Department of Labor</b>						
01	Duties	\$ 2,306	\$ -	\$ 2,306	\$ 1,782	\$ 524
01	Duties (Special OSHA Fund)	1,330	-	1,330	840	490
14	FY18 Carryover	-	341	341	150	191
	Agency Total	\$ 3,636	\$ 341	\$ 3,977	\$ 2,772	\$ 1,205
<b>Regulatory Services Total</b>		\$ 15,040	\$ 375	\$ 15,415	\$ 13,552	\$ 1,863

GENERAL FUND

	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
<b>SOCIAL SERVICES</b>					
<b>Commission on Children and Youth</b>					
10 Duties	\$ 1,678	\$ -	\$ 1,678	\$ 1,176	\$ 502
11 FY18 Carryover	-	209	209	209	-
Agency Total	\$ 1,678	\$ 209	\$ 1,887	\$ 1,385	\$ 502
<b>Office of Disability Concerns</b>					
01 Duties	\$ 241	\$ -	\$ 241	\$ 195	\$ 46
Agency Total	\$ 241	\$ -	\$ 241	\$ 195	\$ 46
<b>Office of Juvenile Affairs</b>					
01 Duties	\$ 92,784	\$ -	\$ 92,784	\$ 77,538	\$ 15,246
Agency Total	\$ 92,784	\$ -	\$ 92,784	\$ 77,538	\$ 15,246
<b>Department of Veterans Affairs</b>					
01 Duties	\$ 30,357	\$ -	\$ 30,357	\$ 26,909	\$ 3,448
Agency Total	\$ 30,357	\$ -	\$ 30,357	\$ 26,909	\$ 3,448
<b>J.D. McCarty Center</b>					
01 Duties	\$ 4,507	\$ -	\$ 4,507	\$ 4,089	\$ 418
Agency Total	\$ 4,507	\$ -	\$ 4,507	\$ 4,089	\$ 418
<b>Department of Rehabilitation Services</b>					
01 Duties (to disbursing funds)	\$ 32,027	\$ -	\$ 32,027	\$ 32,027	\$ -
Agency Total	\$ 32,027	\$ -	\$ 32,027	\$ 32,027	\$ -
<b>University Hospitals Authority</b>					
01 Duties	\$ 37,419	\$ -	\$ 37,419	\$ 33,607	\$ 3,812
Agency Total	\$ 37,419	\$ -	\$ 37,419	\$ 33,607	\$ 3,812
<b>Department of Human Services</b>					
01 Duties (to Disbursing Funds)	\$ 722,809	\$ -	\$ 722,809	\$ 722,809	\$ -
06 Duties (to Disbursing Funds)	6,623	-	6,623	6,623	-
Agency Total	\$ 729,432	\$ -	\$ 729,432	\$ 729,432	\$ -
<b>Social Services Total</b>	\$ 928,445	\$ 209	\$ 928,654	\$ 905,182	\$ 23,472
<b>TRANSPORTATION</b>					
<b>Department of Transportation</b>					
01 CIRB	\$ -	\$ 30,000	\$ 30,000	\$ -	\$ 30,000
Agency Total	\$ -	\$ 30,000	\$ 30,000	\$ -	\$ 30,000
<b>Oklahoma Space Industry Development Auth.</b>					
01 Duties to Space Industries Dev.	\$ 301	\$ -	\$ 301	\$ 301	\$ -
Agency Total	\$ 301	\$ -	\$ 301	\$ 301	\$ -
<b>Transportation Total</b>	\$ 301	\$ 30,000	\$ 30,301	\$ 301	\$ 30,000
<b>General Fund Total</b>	\$ 5,452,183	\$ 264,130	\$ 5,716,313	\$ 5,469,965	\$ 246,348

	GENERAL FUND				
	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
<b>SUMMARY OF REVENUE BY FUNCTION OF GOVERNMENT</b>					
<b>Education Revenue Total</b>	\$ 86,802	\$ -	\$ 86,802	\$ 89,140	\$ (2,338)
<b>General Government Revenue Total</b>	\$ 6,684,636	\$ -	\$ 6,684,636	\$ 7,041,374	\$ (356,738)
<b>Public Safety and Defense Total</b>	\$ 26,319	\$ -	\$ 26,319	\$ 33,966	\$ (7,647)
<b>Regulatory Services Total</b>	\$ 1,400	\$ -	\$ 1,400	\$ 1,325	\$ 75
<b>Revenue Total</b>	\$ 6,799,157	\$ -	\$ 6,799,157	\$ 7,165,805	\$ (366,648)

## Notes to Required Supplementary Information - Budgetary Reporting

### FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The *Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis)* presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis. The schedule represents budgetary comparisons at the legal level of budgetary control (i.e. line item level). The schedule is prepared on a cash basis plus encumbrances where the expenditures are expected to be presented by November 15<sup>th</sup> in the following fiscal year. Certain appropriations are transferred to continuing funds for expenditure. Unexpended amounts may then be budgeted again in subsequent fiscal years. These transfers are not included in the total expenditures on the *Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis)*.

#### Reconciliation of Budgetary Fund Balance to GAAP Fund Balance

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resulting basis, perspective, and entity differences in the revenues in excess of (less than) expenditures and other financing sources (uses) between budgetary and GAAP presentations for the year ended June 30, 2019, is presented below (expressed in thousands) for the general fund:

Budgetary Basis Fund Balance, June 30, 2018	\$ 2,192,499
Total revenues	7,165,805
Total expenditures	(5,469,965)
Net transfers in (out) of funds	(61,081)
Budgetary Basis Fund Balance, June 30, 2019	\$ 3,827,258
Entity and Perspective Differences:	
Non-budgeted Funds and Capital Funds	1,636,320
Encumbrances	145,648
Basis Differences:	
Add: Net accrued revenues, related receivables, and deferred revenues	1,355,443
Less: Net accrued expenditures and related liabilities	(1,589,218)
GAAP Basis Fund Balance, June 30, 2019	<u>\$ 5,375,451</u>

# Pension Schedules

## Required by GASB Statement number 68

For the Fiscal Year Ended June 30, 2019  
(expressed in thousands)

The following information presented for pension plans that are reported as fiduciary component units of the State of Oklahoma are required by the Governmental Accounting Standards Board, Statement 68. For more complete information, including the annual money-weighted rate of return, and schedule of funding progress, audited annual statements can be acquired by contacting the pension plan:

Firefighters Pension and Retirement  
6601 Broadway Extension, Suite 100  
Oklahoma City, OK 73116  
<http://www.ok.gov/fprs/>

Law Enforcement Retirement  
421 N.W. 13th Street, Suite 100  
Oklahoma City, OK 73103-3701  
<http://www.olders.state.ok.us/>

Police Pension and Retirement  
1001 N.W. 63rd Street, Suite 305  
Oklahoma City, OK 73116-7335  
<http://www.ok.gov/OPPRS/>

Public Employees Retirement  
P.O. Box 53007  
Oklahoma City, OK 73152-3007  
<http://www.opers.ok.gov/>

Uniform Retirement System for Justices and Judges  
P.O. Box 53007  
Oklahoma City, OK 73152-3007  
<http://www.opers.ok.gov/>

Teachers' Retirement System  
2500 N. Lincoln Boulevard, 5th Floor  
Oklahoma City, OK 73105-4209  
<http://www.ok.gov/TRS/>

Department of Wildlife Conservation  
P.O. Box 53465  
Oklahoma City, OK 73152  
<http://www.wildlifedepartment.com>

### Schedules of Contributions and Related Ratios

#### Single Employer Plans

##### General Fund

#### Schedule of Contributions Wildlife Commission Retirement Plan Last Ten Fiscal Years (expressed in thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 2,308	\$ 2,494	\$ 2,988	\$ 3,197	\$ 3,691	\$ 4,307	\$ 4,267	\$ 3,802	\$ 3,180	\$ 4,414
Contributions in relation to the actuarially determined contribution	2,500	3,100	4,780	3,700	4,307	4,300	4,100	4,100	3,180	4,414
Contribution deficiency (excess)	\$ (192)	\$ (606)	\$ (1,792)	\$ (503)	\$ (616)	\$ 7	\$ 167	\$ (298)	\$ -	\$ -
Covered payroll	\$ 12,082	\$ 12,208	\$ 12,806	\$ 13,388	\$ 13,667	\$ 13,599	\$ 14,300	\$ 14,662	\$ 14,633	\$ 14,839
Contributions as percentage of covered payroll	20.69%	25.39%	37.33%	27.64%	31.51%	31.62%	28.67%	27.96%	21.73%	29.74%

**Schedule of Net Pension Liability**  
**Wildlife Commission Retirement Plan**  
Last Six Fiscal Years  
(expressed in thousands)

	2018	2017	2016	2015	2014	2013
<b>Total Pension Liability</b>						
Service cost	\$ 1,550	\$ 1,627	\$ 1,848	\$ 1,840	\$ 1,930	\$ 1,988
Interest	8,364	8,203	7,832	7,586	7,296	7,057
Differences between expected and actual experience	688	(883)	456	(357)	293	(844)
Changes in benefit terms	-	-	1,156	-	-	-
Changes of assumptions	-	-	195	-	-	-
Benefit payments	(6,843)	(6,315)	(5,594)	(5,540)	(5,032)	(4,445)
Net Change in Total Pension Liability	\$ 3,759	\$ 2,632	\$ 5,893	\$ 3,529	\$ 4,487	\$ 3,756
Total Pension Liability - Beginning	121,351	118,719	112,826	109,297	104,810	101,054
Total Pension Liability - Ending	<u>\$ 125,110</u>	<u>\$ 121,351</u>	<u>\$ 118,719</u>	<u>\$ 112,826</u>	<u>\$ 109,297</u>	<u>\$ 104,810</u>
<b>Plan Fiduciary Net Position</b>						
Contributions - employer	\$ 3,100	\$ 4,780	\$ 3,700	\$ 4,307	\$ 4,300	\$ 4,100
Contributions - member	610	633	663	655	681	698
Net investment income	8,500	10,797	492	4,097	12,370	7,483
Benefit payments	(6,843)	(6,315)	(5,593)	(5,540)	(5,032)	(4,445)
Administrative expense	(58)	(52)	(55)	(49)	(38)	(38)
Net change in plan fiduciary net position	\$ 5,309	\$ 9,843	\$ (793)	\$ 3,470	\$ 12,281	\$ 7,798
Plan fiduciary net position - beginning	108,981	99,138	99,931	96,461	84,180	76,382
Plan fiduciary net position - ending	<u>\$ 114,290</u>	<u>\$ 108,981</u>	<u>\$ 99,138</u>	<u>\$ 99,931</u>	<u>\$ 96,461</u>	<u>\$ 84,180</u>
Net pension liability	<u>\$ 10,820</u>	<u>\$ 12,370</u>	<u>\$ 19,581</u>	<u>\$ 12,895</u>	<u>\$ 12,836</u>	<u>\$ 20,630</u>
Total pension liability	\$ 125,110	\$ 121,352	\$ 118,720	\$ 112,826	\$ 109,297	\$ 104,810
Plan fiduciary net position	114,290	108,981	99,138	99,931	96,461	84,180
Net pension liability (asset)	<u>\$ 10,820</u>	<u>\$ 12,371</u>	<u>\$ 19,582</u>	<u>\$ 12,895</u>	<u>\$ 12,836</u>	<u>\$ 20,630</u>
Ratio of plan fiduciary net position to total pension liability	91.35%	89.81%	83.51%	88.57%	88.26%	80.32%
Covered payroll	\$ 12,208	\$ 12,806	\$ 13,388	\$ 13,667	\$ 13,599	\$ 14,300
Net pension liability as a percentage of covered payroll	88.63%	96.60%	146.26%	94.35%	94.39%	144.27%

**Notes to Schedules:**

*GASB Statement number 68 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement number 68 and is the latest available at the date of publication.*

**Actuarially Determined Contributions:**

The annual required contribution for fiscal year 2019 was determined as part of the July 1, 2019, actuarial valuation using the entry age normal method. The actuarial assumptions included a) a 7.0% investment rate of return (net of administrative expense) and b) projected salary increases of 3.0%-8.0%. The assumptions did not include cost-of-living allowances for active, disabled, or retired members.

Benefit Changes: Information to present a 10-year history is not readily available

Changes in Actuarial Assumptions: Information to present a 10-year history is not readily available

## Component Units

### Schedule of Contributions Oklahoma Law Enforcement Retirement System Last Ten Fiscal Years (expressed in thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 31,265	\$ 32,467	\$ 33,110	\$ 33,291	\$ 31,838	\$ 43,775	\$ 44,734	\$ 48,634	\$ 50,094	\$ 48,103
Contributions in relation to the actuarially determined contribution	\$ 8,922	\$ 9,083	\$ 9,262	\$ 10,219	\$ 9,438	\$ 8,566	\$ 8,296	\$ 7,414	\$ 7,694	\$ 7,779
Contributions--State of Oklahoma insurance premium tax	24,040	23,673	21,843	22,981	22,861	21,165	19,807	18,836	16,965	15,456
Total Contribution	\$ 32,962	\$ 32,756	\$ 31,105	\$ 33,200	\$ 32,299	\$ 29,731	\$ 28,103	\$ 26,250	\$ 24,659	\$ 23,235
Contribution deficiency (excess)	\$ (1,697)	\$ (289)	\$ 2,005	\$ 91	\$ (461)	\$ 14,044	\$ 16,631	\$ 22,384	\$ 25,435	\$ 24,868
Covered payroll	\$ 85,407	\$ 86,121	\$ 86,496	\$ 88,683	\$ 84,880	\$ 76,838	\$ 73,423	\$ 71,598	\$ 70,967	\$ 73,400
Contributions as percentage of covered payroll	38.59%	38.03%	35.96%	37.44%	38.05%	38.69%	38.28%	36.66%	34.75%	31.66%

### Schedule of Net Pension Liability Oklahoma Law Enforcement Retirement System Last Five Fiscal Years (expressed in thousands)

	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 22,654	\$ 23,670	\$ 23,126	\$ 22,087	\$ 20,294
Interest	78,022	75,080	72,766	66,613	64,959
Changes in benefit terms	832	-	-	-	-
Differences between expected and actual experience	(5,997)	(2,307)	6,137	51,090	(9,771)
Changes in assumptions	-	1,107	-	-	-
Benefit payments	(59,048)	(57,612)	(58,348)	(57,187)	(49,777)
Net Change in Total Pension Liability	\$ 36,463	\$ 39,938	\$ 43,681	\$ 82,603	\$ 25,705
Total Pension Liability - Beginning	1,069,287	1,029,349	998,863	916,260	890,555
Total Pension Liability - Ending	\$ 1,105,750	\$ 1,069,287	\$ 1,042,544	\$ 998,863	\$ 916,260
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 9,083	\$ 9,262	\$ 10,219	\$ 9,438	\$ 8,566
Contributions - nonemployer	23,673	21,843	22,981	22,861	21,165
Contributions - member	6,667	6,832	6,866	6,390	5,787
Net investment income	80,005	106,519	(22,244)	34,802	121,403
Benefit payments	(59,048)	(57,612)	(58,348)	(57,187)	(49,777)
Administrative expense	(1,092)	(1,083)	(1,031)	(1,069)	(927)
Net change in plan fiduciary net position	\$ 59,288	\$ 85,761	\$ (41,557)	\$ 15,235	\$ 106,217
Plan fiduciary net position - beginning	939,345	853,584	895,141	879,906	773,689
Plan fiduciary net position - ending	\$ 998,633	\$ 939,345	\$ 853,584	\$ 895,141	\$ 879,906
Net pension liability	\$ 107,117	\$ 129,942	\$ 188,960	\$ 103,722	\$ 36,354
Total pension liability	\$ 1,105,750	\$ 1,069,287	\$ 1,042,544	\$ 998,863	\$ 916,260
Plan fiduciary net position	998,633	939,345	853,584	895,141	879,906
Net pension liability (asset)	\$ 107,117	\$ 129,942	\$ 188,960	\$ 103,722	\$ 36,354
Ratio of plan fiduciary net position to total pension liability	90.31%	87.85%	81.88%	89.62%	96.03%
Covered payroll	\$ 86,121	\$ 86,496	\$ 88,683	\$ 84,880	\$ 76,838
Net pension liability as a percentage of covered payroll	124.38%	150.23%	213.07%	122.20%	47.31%



## Notes to Schedule:

*GASB Statement number 68 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement number 68 and is the latest available at the date of publication.*

### Actuarially Determined Contributions:

The annual required contribution for fiscal year 2019 was determined as part of the July 1, 2019, actuarial valuation using the individual entry age normal method. The actuarial assumptions included: a) a 7.5% investment rate of return (net of administrative expense), b) projected salary increases of 3.50%-9.75%, c) a cost-of-living allowance of 3% for eligible participants, and d) an inflation rate of 2.75%.

### Benefit Changes:

2018: House Bill 1340 provides for a single, one-time, non-permanent increase in the payment of retirement benefits. A single payment of 2% of the gross annual retirement benefit will be paid to qualifying members, subject to a cap and floor on the payment, effective May 8, 2018.

House Bill 2517 clarifies that all benefits payable from the plan, including payments from deferred option plans, shall be paid from general assets of the fund, effective April 12, 2018.

2014: House Bill 2622 reset the amortization period of the unfunded actuarial liability to 15 years effective July 1, 2014.

2012: Senate Bill 1001 was enacted, which increased the agency contribution to 11% of pay as of November 1, 2012. In addition, the bill eliminated the half-pay benefit for certain members hired on or after November 1, 2012.

2011: The Oklahoma Pension Legislation Actuarial Analysis Act was modified to change the definition of non-fiscal retirement bill and by removing a certain provision that allows a Cost-of-living adjustment to be considered non-fiscal, thereby requiring that cost-of-living adjustments be concurrently funded by the Legislature at the time they are enacted.

2010: Senate Bill 2130 eliminated the mandatory retirement age of 60 years for members.

2008: House Bill 3112 provides a 4% cost-of-living adjustments for retired members. Senate Bill 565 states that beginning July 1, 2010, the amount of insurance premium tax revenue apportioned to the system will be applied prior to calculation of the home office credit.

2007: Senate Bill 695 brings the system into compliance with Internal Revenue Service requirements as it relates to the direct payment of qualified health insurance premiums and the rollover of distributions of a non-spouse beneficiary. House Bill 2070 subjects the system to the Oklahoma Pension Legislation Actuarial Analysis Act.

### Changes in Actuarial Assumptions:

#### July 1, 2017 Valuation:

- The cost of living assumption used was 3% for eligible participants. The inflation assumption was 3%.
- Beginning with the July 1, 2017, valuation, there will be a salary experience reserve. When base pay raises are small or non-existent, the reserve will be credited with the liability gain resulting from this experience. When pay raises are granted, the reserve will be released to offset any loss (or completely released, if less than the loss).

#### July 1, 2012 Valuation:

- Healthy mortality was changed from the RP-2000 Table with Blue Collar adjustment (Active rates before age 50, Annuitant rates after age 49) with generational mortality improvement to the RP-2000 Combined Table with Blue Collar adjustment with generational mortality improvement.

- The mortality table used for disabled pensioners was changed from RP-2000 Table with Blue Collar Adjustment set forward seven years to RP-2000 Combined Table with Blue Collar adjustment.
- The retirement, disability, and withdrawal rates were changed. The inflation assumption was changed from 3.25% to 3.00%. The salary increase assumption was changed.

July 1, 2007 Valuation:

- The retirement, disability, and withdrawal rates were changed. The salary increase assumption was changed. The rate of inflation assumption was increased to 3.25% per year.
- A cost-of-living adjustments assumption of 4% every other year was added.

**Uniform Retirement System for Justices and Judges**  
**Schedule of Contributions**  
 Last Six Fiscal Years  
 (expressed in thousands)

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 352	\$ 1,638	\$ 3,626	\$ 3,454	\$ 4,897	\$ 7,215
Actual Employer Contributions	7,146	6,504	6,013	5,832	5,295	4,611
Contribution deficiency (excess)	<u>\$ (6,794)</u>	<u>\$ (4,866)</u>	<u>\$ (2,387)</u>	<u>\$ (2,378)</u>	<u>\$ (398)</u>	<u>\$ 2,604</u>
Covered payroll	\$ 33,839	\$ 33,359	\$ 34,811	\$ 34,537	\$ 34,282	\$ 34,325
Contributions as percentage of employee payroll	21.12%	19.50%	17.27%	16.89%	15.45%	13.43%

**Schedule of Net Pension Liability**  
**Uniform Retirement System for Justices and Judges**  
Last Five Fiscal Years  
(expressed in thousands)

	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 8,897	\$ 10,085	\$ 9,689	\$ 9,602	\$ 9,489
Interest	19,162	19,229	19,341	18,812	18,529
Differences between expected and actual experience	(2,004)	(6,664)	(7,480)	(4,598)	(7,597)
Changes of assumptions	-	3,979	5,843	-	(1,046)
Benefit payments	(18,461)	(17,648)	(17,198)	(16,093)	(14,939)
Refunds of contributions	(52)	(89)	(161)	(111)	(57)
Net Change in Total Pension Liability	\$ 7,542	\$ 8,892	\$ 10,034	\$ 7,612	\$ 4,379
Total Pension Liability - Beginning	282,838	276,434	266,400	258,788	254,409
Adoption of GASB 74	-	(2,488)	-	-	-
Total Pension Liability - Ending	<u>\$ 290,380</u>	<u>\$ 282,838</u>	<u>\$ 276,434</u>	<u>\$ 266,400</u>	<u>\$ 258,788</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 6,504	\$ 6,013	\$ 5,832	\$ 5,295	\$ 4,611
Contributions - member	2,608	2,664	2,666	2,706	2,544
Net investment income	26,189	36,312	1,441	8,174	46,211
Benefit payments	(18,461)	(17,648)	(17,198)	(16,093)	(14,939)
Administrative expense	(154)	(153)	(149)	(144)	(132)
Refunds of contributions	(52)	(89)	(161)	(111)	(57)
Net change in plan fiduciary net position	\$ 16,634	\$ 27,099	\$ (7,569)	\$ (173)	\$ 38,238
Plan fiduciary net position - beginning	318,263	293,727	301,296	301,469	263,231
Adoption of GASB 74	-	(2,563)	-	-	-
Plan fiduciary net position - ending	<u>\$ 334,897</u>	<u>\$ 318,263</u>	<u>\$ 293,727</u>	<u>\$ 301,296</u>	<u>\$ 301,469</u>
Net pension liability	<u>\$ (44,517)</u>	<u>\$ (35,425)</u>	<u>\$ (17,293)</u>	<u>\$ (34,896)</u>	<u>\$ (42,681)</u>
Total pension liability	\$ 290,380	\$ 282,838	\$ 276,434	\$ 266,400	\$ 258,788
Plan fiduciary net position	334,897	318,263	293,727	301,296	301,469
Net pension liability (asset)	<u>\$ (44,517)</u>	<u>\$ (35,425)</u>	<u>\$ (17,293)</u>	<u>\$ (34,896)</u>	<u>\$ (42,681)</u>
Ratio of plan fiduciary net position to total pension liability	115.33%	112.52%	106.26%	113.10%	116.49%
Covered payroll	\$ 33,359	\$ 34,811	\$ 34,537	\$ 34,282	\$ 34,325
Net pension asset as a percentage of covered payroll	133.45%	101.76%	50.07%	101.79%	124.34%

**Notes to Schedule:**

*GASB Statement number 68 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement number 68 and is the latest available at the date of publication.*

**Actuarially Determined Contributions:**

The annual required contribution for fiscal year 2019 was determined as part of the July 1, 2018, actuarial valuation using the entry age normal method. The actuarial assumptions included a) a 7.00% investment rate of return (net of administrative expense) b) projected salary increases of 3.75%. The assumptions did not include a cost-of-living allowance for active, disabled, or retired members, and c) an inflation rate of 2.75%.

## Benefit Changes:

2018: House Bill 1340 provides for a single, one-time, non-permanent increase in the payment of retirement benefits. A single payment of 2% of the gross annual retirement benefit will be paid to qualifying members, subject to a cap and floor on the payment, effective May 8, 2018.

2011: With the passage of House Bill 2132, benefits are not assumed to increase due to future ad hoc cost-of-living increases.

Under House Bill 1010, the retirement age for judges taking office on or after January 1, 2012, increases from the current age 65 to age 67 with eight years of service. In addition, the current Rule of 80 or age 60 changes to age 62 with 10 or more years of service.

Senate Bill 782 amends 62 O.S. § 3109 to move the deadline for completion of an actuarial investigation from November 1 to December 1. The final bill deletes the requirement that the state pension systems submit reports annually to the Pension Commission using standard actuarial assumptions.

2009: Effective July 1, 2009, Senate Bill 212 provides the funded ratio of the URSJJ should be at or near 90%. The bill also authorizes the board of trustees of the Oklahoma Public Employees Retirement System to establish and adjust the employer contribution rate annually up to the actuarially required contribution rate. If the increase to the full actuarially required contribution rate is in excess of 3%, the board may adopt a plan to raise the rate to the actuarially required contribution rate over a period of up to five years. The Board may consider the availability of funds to the Administrative Director of the Courts, the Court of Civil Appeals, the Court of Criminal Appeals, and the Workers' Compensation Court of Existing Claims in establishing the annual contribution rate.

House Bill 1254 provides for a payment of \$6 million, in addition to the regular employer contributions, to be paid into the URSJJ for the fiscal year ending June 30, 2010.

2008: House Bill 3112 was passed by the 2008 Oklahoma Legislature and included a 4% cost-of-living adjustments for members who are retired as of June 30, 2007, and still receiving a benefit as of July 1, 2008.

## Changes in Actuarial Assumptions:

- July 1, 2017 Valuation: Decreased the investment return from 7.25% to 7.00%. Projected salary increases decreased from 5.00% to 3.75%. Inflation rate decreased from 3.00% to 2.75%.
- July 1, 2016 Valuation: Decreased the investment return from 7.5% to 7.25%
- July 1, 2014 Valuation: Salary scale assumption was decreased. Retirement rates were adjusted.
- July 1, 2011 Valuation: Salary increase assumption was revised. Payroll increase assumption was revised.
- July 1, 2008 Valuation: Inflation assumption was increased from 2.5% to 3.0%. Investment return was increased from 7.25% to 7.5%. General wage growth assumption was set at 4.25%. Retirement rates were increased for ages before 65 and rates were lowered for ages above 67. Post-retirement mortality was changed to RP-2000 Combined Active/Retired Healthy Mortality Table projected to 2010, setback one year. Amortization methodology was changed for the unfunded actuarial accrued liability from level dollar to level percent of payroll. The Board reset the amortization period to 20 years from July 1, 2007. The previous amortization period was 40 years from July 1, 1987.

## Cost Sharing Pension Plans

### Component Units

#### Schedule of Related Ratios Oklahoma Firefighters Pension and Retirement System Last Ten Fiscal Years (expressed in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Plan fiduciary position as a percentage of the total pension liability	70.73%	66.61%	64.87%	68.27%	68.12%	61.62%	59.22%	63.18%	46.99%	45.20%
Covered payroll	\$ 303,091	\$ 285,073	\$ 273,621	\$ 270,536	\$ 271,572	\$ 253,955	\$ 256,250	\$ 243,684	\$ 248,520	\$ 246,816
Net pension liability as a percentage of covered payroll	371.39%	441.19%	446.50%	392.34%	378.66%	465.75%	459.40%	417.04%	671.78%	682.74%
State portion of net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State employer portion of net pension liability	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

#### Schedule of Contributions Oklahoma Firefighters Pension and Retirement System Last Ten Fiscal Years (expressed in thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required employer contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Statutorily required employer contributions	101,700	100,333	88,134	92,330	91,236	79,545	76,311	68,246	59,876	54,159
Total required contributions	\$ 101,700	\$ 100,333	\$ 88,134	\$ 92,330	\$ 91,236	\$ 79,545	\$ 76,311	\$ 68,246	\$ 59,876	\$ 54,159
Actual employer contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Oklahoma, non employer contributions	101,700	100,333	88,134	92,330	91,236	79,545	76,311	68,246	59,876	54,159
Total Contributions	\$ 101,700	\$ 100,333	\$ 88,134	\$ 92,330	\$ 91,236	\$ 79,545	\$ 76,311	\$ 68,246	\$ 59,876	\$ 54,159
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer portion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actual contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

### Notes to Schedule:

*GASB Statement number 68 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement number 68 and is the latest available at the date of publication.*

### Benefit Changes:

2018: House Bill 1340 provides for a single, one-time, non-permanent increase in the payment of retirement benefits. A single payment of 2% of the gross annual retirement benefit will be paid to qualifying members, subject to a cap and floor on the payment, effective May 8, 2018.

2017: House Bill 1705 modified certain provisions of eligible rollover distributions, provided treatment of certain mandatory distributions occurring on or after a certain date.

2016: Senate Bill 1021 modified the termination date of local boards. The termination date was extended from December 31, 2000, to December 31, 2016.

Senate Bill 1022 clarified certain forms of payments made to members of the Oklahoma Firefighters Pension and Retirement System.

2015: House Bill 2005 prevents any volunteer firefighter who begins service on or after age 45 from becoming a participant in the Oklahoma Firefighters Pension and Retirement System.

House Bill 1002 directs the Oklahoma Firefighters Pension and Retirement System Board of Trustees to use Internal Revenue Service guidelines to determine if a potential rollover from another system may be rolled into the Oklahoma Firefighters Pension and Retirement System. The Board is required to use Internal Revenue Service guidelines to determine the taxable portion of a distribution from the system.

2013: House Bill 2078 and SB 1101 made certain changes to the benefits of members hired on or after November 1, 2013, including the following:

- Increased the eligibility to retire to age 50 with 22 years of service.
- Increased the eligibility for a vested benefit to 11 years.
- Changed the interest earned to Deferred Retirement Option Plan accounts to be the rate earned by system assets, less one percentage point, once the member has left active the Deferred Retirement Option Plan.

Changes in Actuarial Assumptions:

July 1, 2013 Valuation:

- The retirement, disability, and withdrawal rates were changed.
- The salary increase assumption was changed.
- The mortality rates were changed.

July 1, 2011 Valuation:

- No assumption for future ad-hoc cost-of-living adjustments due to the adoption of the Oklahoma Pension Legislation Actuarial Analysis Act.

Changes in Actuarial Funding Methods:

2013: House Bill 2078 increased the amount of gross salary contributed by paid firefighters from 8% to 9%, effective November 1, 2013. In addition, the bill increased the amount of gross salary contributed by municipalities and fire districts from 13% to 14%, effective November 1, 2013. The bill also increased the portion of statewide insurance premium tax allocated to the system from 34% to 36%.

**Schedule of Related Ratios**  
**Oklahoma Public Employees Retirement System**  
 Last Five Fiscal Years  
 (expressed in thousands)

	2018	2017	2016	2015	2014
Plan fiduciary position as a percentage of the total pension liability	97.96%	94.28%	89.48%	96.00%	97.90%
Covered payroll	\$ 1,318,207	\$ 1,406,150	\$ 1,443,199	\$ 1,391,397	\$ 1,359,348
Net pension liability as a percentage of covered payroll	11.55%	30.19%	54.85%	20.62%	10.83%
State portion of net pension liability	\$ 152,266	\$ 424,531	\$ 793,756	\$ 286,962	\$ 147,158
State employer portion of net pension liability	78.07%	78.52%	79.99%	79.78%	80.17%

**Schedule of Contributions**  
**Oklahoma Public Employees Retirement System**  
 Last Five Fiscal Years  
 (expressed in thousands)

	2019	2018	2017	2016	2015
Contractually required employer contribution	\$ 263,730	\$ 258,907	\$ 269,511	\$ 296,249	\$ 292,197
Actual employer contribution	263,730	258,907	269,511	296,249	292,197
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer portion of net pension liability	78.07%	78.52%	79.99%	79.78%	80.17%
Covered payroll	\$ 1,249,922	\$ 1,318,207	\$ 1,406,150	\$ 1,443,199	\$ 1,391,397
Actual contributions as a percentage of covered payroll	21.10%	19.64%	19.17%	20.53%	21.00%

**Notes to Schedule:**

*GASB Statement number 68 requires the information presented in the “Schedules of Required Supplementary Information” cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement number 68 and is the latest available at the date of publication.*

*Covered payroll beginning in 2017 is for the defined benefit plan members only although employer contributions toward the net pension liability are being received on behalf of defined contribution plan members.*

*2017 was the first year to exclude health insurance subsidy.*

Benefit Changes: Information to present a 10-year history is not readily available

2018: House Bill 1340 provides for a single, one-time, non-permanent increase in the payment of retirement benefits. A single payment of 2% of the gross annual retirement benefit will be paid to qualifying members, subject to a cap and floor on the payment, effective May 8, 2018.

House Bill 2516 clarifies certain system provisions related to billing employers for sick leave and early retirement for elected officials, effective April 12, 2018.

Senate Bill 527 states that a statewide elected official or legislator who is first elected or appointed on or after November 1, 2018, and who has participating service in the Oklahoma Public Employees Retirement System defined benefit plan prior to November 1, 2015, shall be a member of the defined benefit plan, effective April 17, 2018.

Changes in Actuarial Assumptions: Information to present a 10-year history is not readily available

**Schedule of Related Ratios**  
**Oklahoma Police Pension and Retirement System**  
Last Five Fiscal Years  
(expressed in thousands)

	2018	2017	2016	2015	2014
Plan fiduciary position as a percentage of the total pension liability	101.89%	99.68%	93.50%	99.82%	101.53%
Covered payroll	\$ 826	\$ 871	\$ 862	\$ 632	\$ 608
Net pension liability as a percentage of covered payroll	(15.43%)	2.57%	51.67%	1.38%	(11.63%)
State portion of net pension liability	\$ (127)	\$ 22	\$ 446	\$ 12	\$ (72)
State Employer portion of NPL	0.27%	0.29%	0.29%	0.29%	0.21%

**Schedule of Contributions**  
**Oklahoma Police Pension and Retirement System**  
Last Five Fiscal Years  
(expressed in thousands)

	2019	2018	2017	2016	2015
Contractually required employer contributions	\$ 113	\$ 117	\$ 113	\$ 112	\$ 173
Statutorily required employer contributions	39,559	39,028	34,283	35,915	35,490
Total required contributions	\$ 39,672	\$ 39,145	\$ 34,396	\$ 36,027	\$ 35,663
Actual employer contribution	\$ 113	\$ 117	\$ 113	\$ 112	\$ 173
State of Oklahoma, non employer contributions	39,559	39,028	34,283	35,915	35,490
Total contributions	\$ 39,672	\$ 39,145	\$ 34,396	\$ 36,027	\$ 35,663
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer portion of net pension liability	0.27%	0.29%	0.29%	0.29%	0.21%
Covered payroll	\$ 867	\$ 826	\$ 871	\$ 862	\$ 632
Actual contributions as a percentage of covered payroll	4575.78%	4739.10%	3947.35%	4179.47%	5642.88%

**Notes to Schedule:**

*GASB Statement number 68 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement number 68 and is the latest available at the date of publication.*

Benefit Changes: Information to present a 10-year history is not readily available

2019: House Bill 2269 provides that participants in the Deferred Option Plan can name a designated recipient; if there is no such designation, the surviving spouse (having been married to the participant for the 30 continuous months preceding death) will be the eligible recipient. The 30-month requirement does not apply in the event of a duty related death. If neither a named recipient nor a surviving spouse is an eligible recipient, payment will be made to the estate of the participant. House Bill 2269 further provides that the Council on Law Enforcement Education and Training will grant the board access to records regarding actively working police officers in participating agencies and municipalities. Lastly House Bill 2269 allows for the final benefit payment due a member in the month they are deceased to be paid to a successor-in-interest provided it is less than the limits set in Title 58 § 393 of the state statutes. This provision became effective May 13, 2019.

2018: House Bill 1340 provides for a single, one-time, non-permanent increase in the payment of retirement benefits. A single payment of 2% of the gross annual retirement benefit will be paid to qualifying members, subject to a cap and floor on the payment, effective May 8, 2018.



House Bill 2515 clarifies that all benefits payable from the plan, including payments from deferred option plans, shall be paid from general assets of the fund. House Bill 2515 further provides that a permanent and total impairment equates to 100% of the accrued retirement benefits, effective April 12, 2018.

2017: House Bill 1119 updates the rules for distributions to include rollover contributions for savings incentive match plan for employees individual retirement accounts that are structured and timed in accordance with the Internal Revenue Service savings incentive match plan for employees individual retirement accounts regulations.

2016: House Bill 2273 amends the computation of final average salary to be based specifically on paid base salary in which required contributions have been made. Amends and clarifies the definition of paid base salary, including its components and exclusions. Adds additional language regarding the purchase of transferred credited service to comply with Internal Revenue Service rules regarding the use of Roth and non-Roth type individual retirement accounts.

2015: Senate Bill 345 authorizes the Oklahoma Police Pension and Retirement System Board of Trustees to adopt rules for computation of the purchase price for transferred service credit and the purchase methods available, including time periods available to complete the purchase; additional required language regarding distributions necessary for the system to remain an Internal Revenue Service qualified plan.

Changes in Actuarial Assumptions: Information to present a 10-year history is not readily available

July 1, 2018 Valuation:

- The price inflation assumption was decreased from 3.00% to 2.75%.
- The interest credit on deferred option plan balances were increased from 7.75% to 11.00%.
- The real wage growth assumption was set at 0.75%
- The cost-of-living adjustment basis assumption was increased from 3.00% to 3.50%.
- The retirement and termination rates were adjusted to better reflect observed experience.
- The salary scale was adjusted to better reflect observed experience.
- The expected severity of disability was increased from 25%-49% to 50%-74%.
- Surplus unfunded actuarially accrued liability was amortized over an open 30-year period.

**Schedule of Related Ratios**  
**Teachers' Retirement System**  
Last Five Fiscal Years  
(expressed in thousands)

	2018	2017	2016	2015	2014
Plan fiduciary position as a percentage of the total pension liability	72.74%	69.32%	62.24%	70.31%	72.43%
Covered payroll	\$ 1,098,170	\$ 1,103,585	\$ 1,111,204	\$ 1,079,239	\$ 1,070,909
Net pension liability as a percentage of covered payroll	145.82%	163.00%	199.19%	140.65%	125.85%
State portion of net pension liability	\$ 1,601,483	\$ 1,764,704	\$ 2,248,905	\$ 1,611,824	\$ 1,347,638
State employer portion of net pension liability	26.46%	26.60%	26.84%	26.42%	24.88%

**Schedule of Contributions**  
**Teachers' Retirement System**  
 Last Five Fiscal Years  
 (expressed in thousands)

	2019	2018	2017	2016	2015
Contractually required employer contributions	\$ 118,076	\$ 109,857	\$ 106,483	\$ 108,240	\$ 184,726
Statutorily required employer contributions	371,671	344,610	301,952	315,672	336,391
Total required contributions	<u>\$ 489,747</u>	<u>\$ 454,467</u>	<u>\$ 408,435</u>	<u>\$ 423,912</u>	<u>\$ 521,117</u>
Actual employer contribution	\$ 118,076	\$ 109,857	\$ 106,483	\$ 108,240	\$ 184,726
State of Oklahoma, non employer contributions	371,671	344,610	301,952	315,672	336,391
Total Contributions	<u>\$ 489,747</u>	<u>\$ 454,467</u>	<u>\$ 408,435</u>	<u>\$ 423,912</u>	<u>\$ 521,117</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer portion of net pension liability	26.46%	26.60%	26.84%	26.42%	24.88%
Covered payroll	\$ 1,183,904	\$ 1,098,170	\$ 1,103,585	\$ 1,111,204	\$ 1,079,239
Actual contributions as a percentage of covered payroll	41.37%	41.38%	37.01%	38.15%	48.29%

**Notes to Schedule:**

*GASB Statement number 68 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement number 68 and is the latest available at the date of publication.*

**Benefit Changes:**

2018: House Bill 1340 provides for a single, one-time, non-permanent increase in the payment of retirement benefits. A single payment of 2% of the gross annual retirement benefit will be paid to qualifying members, subject to a cap and floor on the payment, effective May 8, 2018.

2011: Senate Bill 377 changes the eligibility conditions for both normal and early retirement for members hired on or after November 1, 2011. Members will be eligible for normal retirement at the earlier of age 65 with five years of service or when their age plus service equals 90 with a minimum age of 60. Members will be eligible for early (reduced) retirement at age 60 with five years of service.

House Bill 2132 changes the definition of a nonfiscal retirement bill to exclude cost-of-living adjustments even if such cost-of-living adjustments are assumed in the annual actuarial valuation.

Senate Bill 782 eliminates the requirement that statewide retirement systems report a second set of actuarial valuation results to the Oklahoma State Pension Commission using specified actuarial assumptions.

2010: House Bill 1935 allows a retiree electing one of the optional benefit forms, i.e. not life only, to make a one-time irrevocable change in the benefit option within 60 days of retirement. The beneficiary may not be changed.

Senate Bill 859-allows a retiree who chose a life annuity at retirement to change retirement options to either 100% joint survivor annuity or 50% joint survivor annuity within a year of marriage.

2008: A 2% ad hoc cost-of-living adjustments was provided, effective July 1, 2008. All retirees who retired before July 1, 2007, were eligible, including disabled retirees, special retirees and beneficiaries receiving payments.

Changes in Actuarial Assumptions:

June 30, 2017 Valuation:

- Change in the election rate of the supplemental medical insurance benefit.

June 30, 2016 Valuation:

- Inflation rate was decreased from 3% to 2.5%
- Assumed investment return was decreased from 8% to 7.5%
- Wage inflation was decreased from 3.75% to 3.25%
- Payroll growth was decreased from 3.25% to 2.75%

## Other Postemployment Benefits Schedules Required by GASB Statement number 75

For the Fiscal Year Ended June 30, 2019  
(expressed in thousands)

The following information presented for other postemployment benefit plans that are reported as fiduciary component units of the State of Oklahoma are required by the Governmental Accounting Standards Board (GASB), Statement number 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions*. For more complete information, including the annual money-weighted rate of return and schedule of funding progress, audited annual statements can be acquired by contacting the administering plans:

Law Enforcement Retirement 421 N.W. 13th Street, Suite 100 Oklahoma City, OK 73103-3701 <a href="http://www.olders.state.ok.us/">http://www.olders.state.ok.us/</a>	Public Employees Retirement P.O. Box 53007 Oklahoma City, OK 73152-3007 <a href="http://www.opers.ok.gov/">http://www.opers.ok.gov/</a>	Office of Management and Enterprise Services 5005 N. Lincoln Blvd, Suite 100 Oklahoma City, OK 73105 <a href="http://omes.ok.gov">http://omes.ok.gov</a>
Department of Wildlife Conservation P.O. Box 53465 Oklahoma City, OK 73152 <a href="http://www.wildlifedepartment.com">http://www.wildlifedepartment.com</a>	Teachers' Retirement System 2500 N. Lincoln Boulevard, 5th Floor Oklahoma City, OK 73105-4209 <a href="http://www.ok.gov/TRS/">http://www.ok.gov/TRS/</a>	Uniform Retirement System for Justices and Judges P.O. Box 53007 Oklahoma City, OK 73152-3007 <a href="http://www.opers.ok.gov/">http://www.opers.ok.gov/</a>

### Schedules of Contributions and Related Ratios

#### General Fund

#### Schedule of Contributions Employee Group Insurance Division – Implicit Rate Subsidy Last Two Fiscal Years (expressed in thousands)

	2019	2018
Actuarially required contributions	\$ 11,008	\$ 12,706
Contributions in relation to the Actuarially required contributions	\$ 11,008	\$ 12,706
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 1,537,569	\$ 1,521,794
Contributions as a percentage of covered employee payroll	0.72%	0.83%

**Schedule of Total Other Postemployment Benefit Liability**  
**Employee Group Insurance Division – Implicit Rate Subsidy**  
 Last Two Fiscal Years  
 (expressed in thousands)

	2018	2017
Total OPEB liability		
Service cost	\$ 5,190	\$ 5,920
Interest	5,307	4,497
Difference between expected and actual experience	(1,242)	-
Changes of assumption or other inputs	(540)	(7,404)
Benefit payments	(11,009)	(12,706)
Net change in total OPEB liability	\$ (2,294)	\$ (9,693)
Total OPEB Liability-beginning	148,496	158,189
Total OPEB Liability-ending	\$ 146,202	\$ 148,496
Covered employee payroll	\$ 1,537,569	\$ 1,521,794
Total OPEB Liability as a percentage of covered employee payroll	9.51%	9.76%

**Notes to Schedules:**

*GASB Statement number 75 requires the information presented in the “Schedules of Required Supplementary Information” cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement number 75 and is the latest available at the date of publication.*

*There are no assets in a trust compliant with GASB Statement number 75 from which to pay benefits.*

**Schedule of Contributions**  
**Wildlife Commission Health Insurance Allowance**  
Last Two Fiscal Years  
(expressed in thousands)

	<u>2019</u>	<u>2018</u>
Actuarially required contributions	\$ 408	\$ 236
Contributions in relation to the Actuarially required contributions	<u>\$ 408</u>	<u>\$ 236</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 12,082	\$ 12,208
Contributions as a percentage of covered employee payroll	3.38%	1.93%

**Schedule of Total Other Postemployment Benefit Liability**  
**Wildlife Commission Retirement Plan**  
Last Two Fiscal Years  
(expressed in thousands)

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 211	\$ 121
Interest	273	177
Changes of benefit terms	-	2,992
Difference between expected and actual experience	(63)	(28)
Changes of assumption or other inputs	695	180
Benefit payments	<u>(408)</u>	<u>(238)</u>
Net change in total OPEB liability	\$ 708	\$ 3,204
Total OPEB Liability-beginning	<u>7,736</u>	<u>4,532</u>
Total OPEB Liability-ending	<u>\$ 8,444</u>	<u>\$ 7,736</u>
Covered employee payroll	\$ 12,082	\$ 12,208
Total OPEB Liability as a percentage of covered employee payroll	69.89%	63.37%

**Notes to Schedules:**

*GASB Statement number 75 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement number 75 and is the latest available at the date of publication.*

*There are no assets in a trust compliant with GASB Statement number 75 from which to pay benefits.*

**Component Units**

**Schedule of Contributions**  
**Oklahoma Law Enforcement Retirement System**  
Last Three Fiscal Years  
(expressed in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	<u>\$ 344</u>	<u>\$ 380</u>	<u>\$ 398</u>
Contributions in relation to the contractually required contribution:			
State Agencies	<u>\$ 1,285</u>	<u>\$ 1,285</u>	<u>\$ 849</u>
Contribution deficiency (excess)	<u>\$ (941)</u>	<u>\$ (905)</u>	<u>\$ (451)</u>
Covered payroll	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A

**Schedule of Net Other Postemployment Benefit Liability**  
**Oklahoma Law Enforcement Retirement System**  
 Last Two Fiscal Years  
 (expressed in thousands)

	2018	2017
Total OPEB liability		
Service cost	\$ 343	\$ 357
Interest	933	958
Difference between expected and actual experience	(335)	(501)
Changes of assumption or other inputs	-	(304)
Benefit payments	(855)	(849)
Net change in total OPEB liability	\$ 86	\$ (339)
Total OPEB Liability-beginning	12,856	13,195
Total OPEB Liability-ending	\$ 12,942	\$ 12,856
 Plan fiduciary net position (OPEB)		
Contributions - state agencies	\$ 1,285	\$ 849
Health insurance premiums paid	(855)	(849)
Net change in fiduciary net position	\$ 430	\$ -
Fiduciary net position OPEB-beginning	-	-
Fiduciary net position OPEB-ending	\$ 430	\$ -
Net OPEB Liability	\$ 12,512	\$ 12,856
Fiduciary net position as a percentage of the total OPEB liability	3.32%	0.00%
Covered payroll	N/A	N/A
Net OPEB Liability (Asset) as a percentage of covered payroll	N/A	N/A

**Notes to Schedules:**

*GASB Statement number 75 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement number 75 and is the latest available at the date of publication.*

*As of June 30, 2018, OPEB had allocated assets of approximately \$428,000 and no allocated assets as of June 30, 2017. As such the return for both years is 0%. The return in future years will be the same for both OPEB and the pension plan.*

*Covered payroll is not meaningful to formulate a ratio of net OPEB liability as a percentage of covered payroll. Contributions are only received from employers.*



**Uniform Retirement System for Justices and Judges**  
**Schedule of Contributions**  
 Last Three Fiscal Years  
 (expressed in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 3	\$ 15	\$ 35
Actual employer contributions	\$ 187	\$ 180	\$ 178
Contribution deficiency (excess)	<u>\$ (184)</u>	<u>\$ (165)</u>	<u>\$ (143)</u>
Covered payroll	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A

**Schedule of Net Other Postemployment Benefit Liability**  
**Uniform Retirement System for Justices and Judges**  
Last Two Fiscal Years  
(expressed in thousands)

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 113	\$ 122
Interest	183	174
Difference between expected and actual experience	(88)	(13)
Changes of assumption or other inputs	-	107
Benefit payments	<u>(183)</u>	<u>(179)</u>
Net change in total OPEB liability	\$ 25	\$ 211
Total OPEB Liability-beginning	<u>2,699</u>	<u>2,488</u>
Total OPEB Liability-ending	<u><u>\$ 2,724</u></u>	<u><u>\$ 2,699</u></u>
Plan fiduciary net position (OPEB)		
Contributions - state agencies	\$ 180	\$ 178
Net investment (loss) income	251	330
Health insurance premiums paid	(182)	(179)
Administrative expense	<u>(1)</u>	<u>(1)</u>
Net change in fiduciary net position	\$ 248	\$ 328
Fiduciary net position OPEB-beginning	<u>2,891</u>	<u>2,563</u>
Fiduciary net position OPEB-ending	<u><u>\$ 3,139</u></u>	<u><u>\$ 2,891</u></u>
Net OPEB Liability (Asset)	\$ (415)	\$ (192)
Fiduciary net position as a percentage of the total OPEB liability	115.23%	107.11%
Covered payroll	N/A	N/A
Net OPEB Liability (Asset) as a percentage of covered payroll	N/A	N/A

**Notes to Schedule:**

*GASB Statement number 75 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement number 75 and is the latest available at the date of publication.*

*Covered payroll is not meaningful to formulate a ratio of net OPEB liability as a percentage of covered payroll. Contributions are only received from employers.*

**Cost Sharing Other Postemployment Plans**

**Component Units**

**Schedule of Contributions**  
**Oklahoma Public Employees Retirement System**  
Last Three Fiscal Years  
(expressed in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 3,342	\$ 4,517	\$ 4,780
Actual employer contributions	\$ 14,633	\$ 14,895	\$ 14,784
Contribution deficiency (excess)	<u>\$ (11,291)</u>	<u>\$ (10,378)</u>	<u>\$ (10,004)</u>
State portion of liability	78.07%	78.07%	78.52%
Covered payroll	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A

**Schedule of Net Other Postemployment Benefit Liability**  
**Oklahoma Public Employees Retirement System**  
Last Two Fiscal Years  
(expressed in thousands)

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 6,532	\$ 6,713
Interest	17,362	17,717
Difference between expected and actual experience	(8,274)	(13,158)
Changes of assumption or other inputs		8,695
Benefit payments	<u>(14,708)</u>	<u>(14,918)</u>
Net change in total OPEB liability	<u>\$ 912</u>	<u>\$ 5,049</u>
Total OPEB Liability-beginning	\$ 256,742	\$ 251,693
Change in prior year allocation	(1,480)	-
Adjusted OPEB Liability-beginning	<u>255,262</u>	<u>251,693</u>
Total OPEB Liability-ending	<u><u>\$ 256,174</u></u>	<u><u>\$ 256,742</u></u>
<b>Plan fiduciary net position (OPEB)</b>		
Contributions - state agencies	\$ 14,895	\$ 14,784
Net investment (loss) income	19,909	28,068
Health insurance premiums paid	(14,708)	(14,918)
Administrative expense	<u>(139)</u>	<u>(144)</u>
Net change in fiduciary net position	<u>\$ 19,957</u>	<u>\$ 27,790</u>
Fiduciary net position OPEB-beginning	\$ 247,748	\$ 219,958
Change in prior year allocation	<u>(1,428)</u>	<u>-</u>
Adjusted fiduciary net position		
OPEB-beginning	<u>\$ 246,320</u>	<u>\$ 219,958</u>
Fiduciary net position OPEB-ending	<u><u>\$ 266,277</u></u>	<u><u>\$ 247,748</u></u>
Net OPEB Liability (Asset)	<u><u>\$ (10,103)</u></u>	<u><u>\$ 8,994</u></u>
State portion of liability	78.07%	78.52%
Fiduciary net position as a percentage of the total OPEB liability	103.94%	96.50%
Covered payroll	N/A	N/A
Net OPEB Liability (Asset) as a percentage of covered payroll	N/A	N/A

**Notes to Schedule:**

*GASB Statement number 75 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement number 75 and is the latest available at the date of publication.*

*Covered payroll is not meaningful to formulate a ratio of net OPEB liability as a percentage of covered payroll. Contributions are only received from employers.*

**Schedule of Contributions**  
**Teachers' Retirement System**  
 Last Three Fiscal Years  
 (expressed in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 232	\$ 771	\$ 1,698
Actual employer contributions	\$ 232	\$ 771	\$ 1,698
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State portion of liability	26.46%	26.46%	26.07%
Covered employee payroll	\$ 1,183,904	\$ 1,098,170	\$1,061,401
Contributions as a percentage of covered employee payroll	0.02%	0.07%	0.16%

**Schedule of Net Other Postemployment Benefit Liability**  
**Teachers' Retirement System**  
Last Two Fiscal Years  
(expressed in thousands)

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 1,701	\$ 1,733
Interest	8,208	8,274
Difference between expected and actual experience	(2,597)	(3,699)
Benefit payments	<u>(9,782)</u>	<u>(7,903)</u>
Net change in total OPEB liability	<u>\$ (2,470)</u>	<u>\$ (1,595)</u>
Total OPEB Liability-beginning	\$ 111,796	\$ 113,391
Change in prior year allocation	<u>1,675</u>	<u>-</u>
Adjusted OPEB Liability-beginning	<u>\$ 113,471</u>	<u>\$ 113,391</u>
Total OPEB Liability-ending	<u><u>\$ 111,001</u></u>	<u><u>\$ 111,796</u></u>
Plan fiduciary net position (OPEB)		
Contributions-employer	\$ 771	\$ 1,698
Net investment (loss) income	11,846	16,244
Health insurance premiums paid	(9,782)	(7,903)
Administrative expense	<u>(3)</u>	<u>(7)</u>
Net change in fiduciary net position	<u>\$ 2,832</u>	<u>\$ 10,032</u>
Fiduciary net position OPEB-beginning	\$ 123,423	\$ 113,391
Change in prior year allocation	1,850	-
Adjusted fiduciary net position		
OPEB-beginning	<u>\$ 125,273</u>	<u>\$ 113,391</u>
Fiduciary net position OPEB-ending	<u><u>\$ 128,105</u></u>	<u><u>\$ 123,423</u></u>
Net OPEB Liability (Asset)	<u><u>\$ (17,104)</u></u>	<u><u>\$ (11,627)</u></u>
State portion of liability	26.46%	26.07%
Fiduciary net position as a percentage of the total OPEB liability	115.41%	110.40%
Covered employee payroll	\$ 1,098,170	\$ 1,061,401
Net OPEB Liability (Asset) as a percentage of covered employee payroll	-1.56%	-1.10%

**Notes to Schedule:**

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A man watches the sales floor from the entrance level of the auction arena at the Oklahoma National Stockyards.



COMBINING FINANCIAL STATEMENTS





## Description of Fiduciary Funds and Similar Component Units

Fiduciary funds account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governmental organizations, and/or other funds.

### PENSION TRUST FUNDS

The pension trust funds account for the transactions, assets, liabilities, and net position held in a trustee capacity for the benefit of the plan members.

#### WILDLIFE CONSERVATION RETIREMENT PLAN

P.O. Box 53465, Oklahoma City, Oklahoma 73152

[www.wildlifedepartment.com](http://www.wildlifedepartment.com)

This Plan is part of the primary government. The Plan accounts for transactions, assets, liabilities, and net position available for payment of plan benefits to employees of the Department of Wildlife Conservation.

The State of Oklahoma has six public employee retirement systems that meet the definition of a component unit, but are presented with the fiduciary funds of the state:

#### OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

6601 Broadway Ext Suite 100, Oklahoma City, Oklahoma 73105

[www.ok.gov/fprs](http://www.ok.gov/fprs)

The system provides retirement benefits for municipal firefighters in the State of Oklahoma.

#### OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

421 NW 13<sup>th</sup> St., Suite 100, Oklahoma City, Oklahoma 73103

[www.olders.state.ok.us](http://www.olders.state.ok.us)

The system provides retirement benefits for qualified law enforcement officers in the State of Oklahoma.

#### OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

P.O. Box 53007, Oklahoma City, Oklahoma 73152

[www.opers.ok.gov](http://www.opers.ok.gov)

The system administers the Oklahoma public employee retirement plan, which provides retirement benefits for state, county and local employees in the State of Oklahoma.

#### UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

P.O. Box 53007, Oklahoma City, Oklahoma 73152

[www.opers.ok.gov](http://www.opers.ok.gov)

The system provides retirement benefits for justices and judges in the State of Oklahoma.

#### OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

1001 N.W. 63<sup>rd</sup> Street, Suite 305, Oklahoma City, Oklahoma 73116

[www.ok.gov/opprs](http://www.ok.gov/opprs)

The system provides retirement benefits for police officers employed by participating municipalities in the State of Oklahoma.

#### TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

P.O. Box 53524, Oklahoma City, Oklahoma 73152

[www.ok.gov/trs](http://www.ok.gov/trs)

The system provides retirement allowances and benefits for qualified persons employed by state-supported educational institutions in the State of Oklahoma.

### AGENCY FUNDS

Agency funds account for the receipt and disbursement of various monies and property collected by the state, acting in the capacity of an agent, for distribution to non-state parties.

**Taxes Held for Outside Entities** is maintained by the Oklahoma Tax Commission to account for taxes: (1) held for distribution to county and city governments, (2) to cover anticipated tax refunds, (3) paid conditionally on an increase in gross value of oil and/or gas sold by a producer waiting on approval or settlement of an appeal, and (4) that were intercepted by the Tax Commission to be disbursed to claimants.

**Funds Held in Escrow** are monies held in an account until certain conditions or requirements are met. These include: (1) Cash Performance Bonds maintained by the Department of Mines until mining is complete and reclamation meets specifications, (2) Unlocated Mineral Owner's Fund maintained by the Corporation Commission (3) Workers' Compensation Claims Under Appeal maintained by the Workers' Compensation Court of Existing Claims, (4) Unsettled Premium Tax Suits, an escrow account maintained by the Oklahoma Insurance Department for depositing of protested taxes and/or fees imposed under Oklahoma law, (5) Other monies accounted for by the State Department of Health for bond requirements for disposal sites, by the Department of Public Safety for the retention and refund of financial responsibility security amounts, and (6) funds in escrow at the Attorney General's Office received as a result of litigation.

**Assets Held for Beneficiaries** are monies maintained for: (1) clients in institutions under the jurisdiction of the Office of Juvenile Affairs (OJA), Department of Human Services (DHS), the Department of Corrections (DOC), the Department of Veterans Affairs, and the Department of Mental Health, (2) DHS custodial parents from the collection from absent parents, and (3) DHS clients placed in agency custody.

**Other** is monies accounted for (1) by the Department of Human Capital Management for the Office of Management and Enterprise Services for payment of employee claims against SoonerFlex flexible spending accounts, (2) deposits held by Capital Asset Management of the Office of Management and Enterprise Services for bid process documents, (3) donations held by the District Attorney's Council for the Murrah Crime Victims Compensation Fund, and (4) funds held by the Department of Transportation which had accrued to its former health insurance rate stabilization account and are being returned to the accounts contributors.

State of Oklahoma  
Combining Statement of Fiduciary Net Position  
Pension Trust Funds  
(Including Similar Component Units)  
For the fiscal year ended June 30, 2019  
(expressed in thousands)

	Primary Government		Fiduciary Component Units					Total
	Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	
<b>Assets</b>								
Cash/Cash Equivalents	\$ 1,959	\$ 60,440	\$ 16,841	\$ 134,274	\$ 4,322	\$ 18,026	\$ 521,017	\$ 756,879
Investments, at fair value								
Equity Securities	74,072	1,745,501	588,408	3,264,004	238,737	1,527,876	10,127,481	17,566,079
Governmental Securities	22,775	100,601	62,292	2,128,205	74,053	41,383	1,496,701	3,926,010
Debt Securities	13,027	285,186	212,462	980,766	32,703	387,573	2,411,337	4,323,054
Mutual Funds	0	0	0	3,458,364	0	0	0	3,458,364
Other Investments	5,950	665,734	135,683	11,750	0	635,100	2,843,354	4,297,571
Securities Lending Investments	0	88,123	71,354	480,169	12,506	0	1,400,061	2,052,213
Interest and Investment Revenue Receivable	0	4,758	1,043	24,018	549	1,844	65,930	98,142
Contributions Receivable:								
Employer	0	1,466	0	4,508	0	2,156	45,263	53,393
Employee	0	937	551	1,345	0	1,358	27,636	31,827
Other Receivables	0	46	0	0	0	0	0	46
Due from Broker	0	0	0	293,589	9,899	40	128,302	431,830
Due from Component Units	0	0	0	741	0	0	0	741
Due from Other Funds	0	21,622	4,683	9,815	5	8,408	42,011	86,544
Capital Assets, Net	0	948	809	0	0	0	4,420	6,177
Other Assets	0	0	57	989	0	0	0	1,046
<b>Total Assets</b>	<b>\$ 117,783</b>	<b>\$ 2,975,362</b>	<b>\$ 1,094,183</b>	<b>\$ 10,792,537</b>	<b>\$ 372,774</b>	<b>\$ 2,623,764</b>	<b>\$ 19,113,513</b>	<b>\$ 37,089,916</b>
<b>Liabilities</b>								
Accounts Payable and Accrued Liabilities	\$ 0	\$ 41,437	\$ 733	\$ 0	\$ 0	\$ 524	\$ 0	\$ 42,694
Securities Lending Payable	0	88,123	71,354	480,169	12,506	0	1,400,061	2,052,213
Due to Broker	0	10,299	4,054	359,278	12,744	428	483,462	870,265
Due to Component Units	0	0	0	1	0	0	0	1
Due to Other Funds	0	3	1	29	0	7	33	73
Benefits in the Process of Payment	0	0	475	0	0	3,796	94,727	98,998
Other Liabilities	0	119	43	0	0	152	11,194	11,508
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 139,981</b>	<b>\$ 76,660</b>	<b>\$ 839,477</b>	<b>\$ 25,250</b>	<b>\$ 4,907</b>	<b>\$ 1,989,477</b>	<b>\$ 3,075,752</b>
<b>Net Position Restricted for Employees' Pension Benefits</b>	<b>\$ 117,783</b>	<b>\$ 2,835,381</b>	<b>\$ 1,017,523</b>	<b>\$ 9,953,060</b>	<b>\$ 347,524</b>	<b>\$ 2,618,857</b>	<b>\$ 17,124,036</b>	<b>\$ 34,014,164</b>

State of Oklahoma  
Combining Statement of Changes in Fiduciary Net Position  
Pension Trust Funds  
(Including Similar Component Units)  
June 30, 2019  
(expressed in thousands)

	Fiduciary Component Units							Total
	Primary Government	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	
<b>Additions</b>								
Contributions								
Employer Contributions	\$ 2,500	\$ 43,379	\$ 10,207	\$ 282,474	\$ 7,333	\$ 42,154	\$ 447,040	\$ 835,087
Employee Contributions	604	27,347	6,691	66,566	2,667	26,173	325,766	455,814
Other Contributions	0	101,700	24,041	0	0	39,559	371,671	536,971
Total Contributions	\$ 3,104	\$ 172,426	\$ 40,939	\$ 349,040	\$ 10,000	\$ 107,886	\$ 1,144,477	\$ 1,827,872
Investment Income								
Net Appreciation in Fair Value of Investments	\$ 5,404	\$ 173,663	\$ 30,811	\$ 414,354	\$ 17,450	\$ 104,266	\$ 462,824	\$ 1,208,772
Interest and Investment Revenue	2,570	33,288	15,943	174,625	3,331	16,489	413,797	660,043
	\$ 7,974	\$ 206,951	\$ 46,754	\$ 588,979	\$ 20,781	\$ 120,755	\$ 876,621	\$ 1,868,815
Less Investment Expenses	221	18,107	6,599	25,901	476	15,873	68,305	135,482
Net Investment Income	\$ 7,753	\$ 188,844	\$ 40,155	\$ 563,078	\$ 20,305	\$ 104,882	\$ 808,316	\$ 1,733,333
Total Additions	\$ 10,857	\$ 361,270	\$ 81,094	\$ 912,118	\$ 30,305	\$ 212,768	\$ 1,952,793	\$ 3,561,205
<b>Deductions</b>								
Administrative and General Expenses	\$ 7,338	\$ 2,195	\$ 1,131	\$ 5,755	\$ 170	\$ 1,871	\$ 5,199	\$ 23,659
Benefit Payments and Refunds	25	243,590	61,503	655,335	20,646	155,486	1,452,687	2,589,272
Total Deductions	\$ 7,363	\$ 245,785	\$ 62,634	\$ 661,090	\$ 20,816	\$ 157,357	\$ 1,457,886	\$ 2,612,931
Net Increase	\$ 3,494	\$ 115,485	\$ 18,460	\$ 251,028	\$ 9,489	\$ 55,411	\$ 494,907	\$ 948,274
<b>Net Position Reserved for Employees' Pension Benefits</b>								
Beginning of Year	114,289	2,719,896	999,063	9,702,032	338,035	2,563,446	16,629,129	33,065,890
End of Year	\$ 117,783	\$ 2,835,381	\$ 1,017,523	\$ 9,953,060	\$ 347,524	\$ 2,618,857	\$ 17,124,036	\$34,014,164

State of Oklahoma  
 Combining Statement of Assets and Liabilities  
 Agency Funds  
 June 30, 2019  
 (expressed in thousands)

	Taxes Held for Outside Entity	Assets Held in Escrow	Assets Held for Beneficiaries	Other	Total
<b>Assets</b>					
Cash/Cash Equivalents	\$ 228,160	\$ 85,268	\$ 10,103	\$ 44,362	\$ 367,893
Accounts Receivable	0	102	0	0	102
Taxes Receivable	147,652	0	0	0	147,652
Inventory	0	0	0	7,603	7,603
Total Assets	<u>\$ 375,812</u>	<u>\$ 85,370</u>	<u>\$ 10,103</u>	<u>\$ 51,965</u>	<u>\$ 523,250</u>
<b>Liabilities</b>					
Accounts Payable	\$ 0	\$ 61	\$ 492	\$ 0	\$ 553
Tax Refunds Payable	114,111	0	0	0	114,111
Due to Others	261,701	85,309	9,611	51,965	408,586
Total Liabilities	<u>\$ 375,812</u>	<u>\$ 85,370</u>	<u>\$ 10,103</u>	<u>\$ 51,965</u>	<u>\$ 523,250</u>

State of Oklahoma  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds

For the Fiscal Year Ended June 30, 2019  
(expressed in thousands)

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<b>Taxes Held for Outside Entities</b>				
Assets				
Cash/Cash Equivalents	\$ 233,826	\$ 662,395	\$ 681,562	\$ 228,160
Taxes Receivable	127,835	147,652	127,835	147,652
Total Assets	<u>\$ 361,661</u>	<u>\$ 810,047</u>	<u>\$ 809,397</u>	<u>\$ 375,812</u>
Liabilities				
Tax Refunds Payable	\$ 97,616	\$ 114,111	\$ 97,616	\$ 114,111
Due to Others	264,045	695,936	711,781	261,701
Total Liabilities	<u>\$ 361,661</u>	<u>\$ 810,047</u>	<u>\$ 809,397</u>	<u>\$ 375,812</u>
<b>Funds Held in Escrow</b>				
Assets				
Cash/Cash Equivalents	\$ 81,051	\$ 24,418	\$ 20,201	\$ 85,268
Accounts Receivable	18	102	18	102
Total Assets	<u>\$ 81,069</u>	<u>\$ 24,520</u>	<u>\$ 20,219</u>	<u>\$ 85,370</u>
Liabilities				
Accounts Payable	\$ 0	\$ 61	\$ 0	\$ 61
Due to Others	81,069	24,459	20,219	85,309
Total Liabilities	<u>\$ 81,069</u>	<u>\$ 24,520</u>	<u>\$ 20,219</u>	<u>\$ 85,370</u>
<b>Assets Held for Beneficiaries</b>				
Assets				
Cash/Cash Equivalents	\$ 9,604	\$ 435,688	\$ 435,189	\$ 10,103
Accounts Receivable	157	0	157	0
Total Assets	<u>\$ 9,761</u>	<u>\$ 435,688</u>	<u>\$ 435,346</u>	<u>\$ 10,103</u>
Liabilities				
Accounts Payable	\$ 649	\$ 492	\$ 649	\$ 492
Due to Others	9,112	435,196	434,697	9,611
Total Liabilities	<u>\$ 9,761</u>	<u>\$ 435,688</u>	<u>\$ 435,346</u>	<u>\$ 10,103</u>
<b>Other</b>				
Assets				
Cash/Cash Equivalents	\$ 44,234	\$ 10,254	\$ 10,126	\$ 44,362
Inventory	8,594	7,603	8,594	7,603
Total Assets	<u>\$ 52,828</u>	<u>\$ 17,857</u>	<u>\$ 18,720</u>	<u>\$ 51,965</u>
Liabilities				
Due to Others	\$ 52,828	\$ 17,857	\$ 18,720	\$ 51,965
Total Liabilities	<u>\$ 52,828</u>	<u>\$ 17,857</u>	<u>\$ 18,720</u>	<u>\$ 51,965</u>
<b>Total - All Agency Funds</b>				
Assets				
Cash/Cash Equivalents	\$ 368,715	\$ 1,132,755	\$ 1,147,078	\$ 367,893
Accounts Receivable	175	102	175	102
Taxes Receivable	127,835	147,652	127,835	147,652
Inventory	8,594	7,603	8,594	7,603
Total Assets	<u>\$ 505,319</u>	<u>\$ 1,288,112</u>	<u>\$ 1,283,682</u>	<u>\$ 523,250</u>
Liabilities				
Accounts Payable	\$ 649	\$ 553	\$ 649	\$ 553
Tax Refunds Payable	97,616	114,111	97,616	114,111
Due to Others	407,054	1,173,448	1,185,417	408,586
Total Liabilities	<u>\$ 505,319</u>	<u>\$ 1,288,112</u>	<u>\$ 1,283,682</u>	<u>\$ 523,250</u>

## Description of Nonmajor Component Units

The State of Oklahoma has seven nonmajor component units which are described below:

### OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY

7403 N. Kelley Ave., Oklahoma City, OK 73111  
[www.oeta.tv](http://www.oeta.tv)

The authority provides educational television services to all Oklahoma citizens on a coordinated statewide basis.

### OKLAHOMA INDUSTRIAL FINANCE AUTHORITY 9220 N. Kelley Ave., Oklahoma City, OK 73131

The authority assists with the state's industrial development by making loans to authorized industrial development agencies or trusts and new or expanding industries within Oklahoma. The loans are financed by issuance of general obligation bonds.

### MULTIPLE INJURY TRUST FUND

421 NW 13<sup>th</sup> Street Suite 105, Oklahoma City, OK 73103

The fund provides additional compensation to a worker with a pre-existing injury who suffers a second injury.

### UNIVERSITY HOSPITALS AUTHORITY & TRUST

P.O. Box 26307, Oklahoma City, OK 73126  
<https://uhatok.com>

The authority consists of The University Hospital and Children's Hospital of Oklahoma. The University Hospital is affiliated with the University of Oklahoma Health Sciences Center. The University Hospital is financed primarily through patient service charges.

### OKLAHOMA DEVELOPMENT FINANCE AUTHORITY

9220 N. Kelley Ave., Oklahoma City, OK 73131

The authority provides financing for both public and private entities in the state. The authority obtains funds through the issuance of bonds and notes.

### OKLAHOMA CAPITAL INVESTMENT BOARD

13905 Quail Pointe Drive, Suite A, Oklahoma City, OK 73134  
[www.ocib.org](http://www.ocib.org)

The authority assists the state with industrial development by mobilizing equity and near-equity capital for investment to potential creation of jobs and growth that will diversify and stabilize the economy.

### OKLAHOMA STATE UNIVERSITY MEDICAL AUTHORITY

1111 W. 17<sup>th</sup> Street, Tulsa, OK 74107

<https://health.okstate.edu>

The Authority is charged with overseeing the 50-year Academic Affiliation Agreement signed between Tulsa Regional Medical Center and OSU Center for Health Sciences. The agreement provides for funding, teaching and training facilities to the graduate medical program associated with the Oklahoma State University Center for Health Sciences.

# State of Oklahoma Combining Statement of Net Position Nonmajor Component Units

June 30, 2019  
(expressed in thousands)

	Oklahoma Educational Television Authority	Oklahoma Industrial Finance Authority	Multiple Injury Trust Fund	University Hospitals Authority	Oklahoma Development Finance Authority	Oklahoma Capital Investment Board	Oklahoma State Univ. Medical Authority	Nonmajor Component Units Total
<b>Assets</b>								
<b>Current Assets</b>								
Cash/Cash Equivalents								
Unrestricted	\$ 7,505	\$ 30,353	\$ 8,838	\$ 109,002	\$ 17,149	\$ 16	\$ 32,147	\$ 205,010
Investments	29,401	0	0	2,321	0	9,868	0	41,590
Accounts Receivable	722	0	0	68,651	0	0	11,443	80,816
Interest and Investment								
Revenue Receivable	30	180	25	20	0	0	0	255
Other Receivables	0	0	0	0	0	0	939	939
Notes Receivable	0	965	0	0	29	0	0	994
Due from Other Component Units	0	0	0	0	294	0	0	294
Due from Primary Government	0	0	10,150	21,379	27	0	0	31,556
Prepaid Items	465	0	0	2	0	0	3,201	3,668
Other Current Assets	0	0	0	0	1,081	0	13,388	14,469
<b>Total Current Assets</b>	<b>\$ 38,123</b>	<b>\$ 31,498</b>	<b>\$ 19,013</b>	<b>\$ 201,375</b>	<b>\$ 18,580</b>	<b>\$ 9,884</b>	<b>\$ 61,118</b>	<b>\$ 379,591</b>
<b>Noncurrent Assets</b>								
Cash/Cash Equivalents -								
Restricted	\$ 3,064	\$ 0	\$ 0	\$ 250	\$ 0	\$ 0	\$ 0	\$ 3,314
Investments - Restricted	0	0	0	900	11	0	0	911
Long-Term Notes Receivable, Net	0	2,377	0	0	0	0	0	2,377
Long-Term Investments-Unrestricted	0	15,333	0	0	0	0	0	15,333
Capital Assets								
Depreciable, Net	9,251	34	10	249,619	1,163	0	35,362	295,439
Land	26	75	0	4,009	286	0	0	4,396
Construction in Progress	0	0	0	107	0	0	4,139	4,246
Other Noncurrent Assets								
Unrestricted	0	0	0	40,000	0	0	283	40,283
Restricted	0	0	0	36	0	0	0	36
<b>Total Noncurrent Assets</b>	<b>\$ 12,341</b>	<b>\$ 17,819</b>	<b>\$ 10</b>	<b>\$ 294,921</b>	<b>\$ 1,460</b>	<b>\$ 0</b>	<b>\$ 39,784</b>	<b>\$ 366,335</b>
<b>Total Assets</b>	<b>\$ 50,464</b>	<b>\$ 49,317</b>	<b>\$ 19,023</b>	<b>\$ 496,296</b>	<b>\$ 20,040</b>	<b>\$ 9,884</b>	<b>\$ 100,902</b>	<b>\$ 745,926</b>
<b>Deferred Outflows</b>								
Advance Refunding of Bonds	\$ 0	\$ 13	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13
Deferred Outflows from Pensions	552	91	0	433	0	0	0	1,076
<b>Total Deferred Outflows</b>	<b>\$ 552</b>	<b>\$ 104</b>	<b>\$ 0</b>	<b>\$ 433</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,089</b>
<b>Liabilities</b>								
<b>Liabilities</b>								
<b>Current Liabilities</b>								
Accounts Payable and								
Accrued Liabilities	\$ 141	\$ 0	\$ 46	\$ 100,910	\$ 812	\$ 65	\$ 14,637	\$ 116,611
Claims and Judgements	0	0	45,989	0	0	0	0	45,989
Interest Payable	0	132	158	0	0	0	0	290
Unearned Revenue	139	0	0	3	0	0	0	142
Due to Other Component Units	31	0	0	137	0	0	0	168
Due to Fiduciary Funds	0	0	0	0	0	0	0	0
Due to Primary Government	3	0	11	0	0	0	0	14
Capital Leases	0	0	0	0	0	0	250	250
Compensated Absences	236	48	90	179	0	0	0	553
Notes Payable	0	0	2,356	0	0	0	2,144	4,500
Gen Obligation Bonds Payable	0	0	0	0	0	0	0	0
Revenue Bonds	0	0	0	0	0	0	0	0
Other Current Liabilities	1	15,658	0	0	180	3,973	4,627	24,439
<b>Total Current Liabilities</b>	<b>\$ 551</b>	<b>\$ 15,838</b>	<b>\$ 48,650</b>	<b>\$ 101,229</b>	<b>\$ 992</b>	<b>\$ 4,038</b>	<b>\$ 21,658</b>	<b>\$ 192,956</b>
<b>Noncurrent Liabilities</b>								
Claims and Judgements	\$ 0	\$ 0	\$ 449,510	\$ 0	\$ 0	\$ 0	\$ 0	\$ 449,510
Net Pension Liability	565	59	0	131	0	0	0	755
Compensated Absences	59	0	0	0	0	0	0	59
Notes Payable	0	0	6,645	0	0	0	4,619	11,264
General Obligation Bonds	0	30,000	0	0	0	0	0	30,000
Capital Leases	0	0	0	0	0	0	64	64
Revenue Bonds	0	0	0	0	9,999	0	0	9,999
Unamortized Premium (Discount)	0	0	0	0	0	0	0	0
Other Noncurrent Liabilities	310	0	0	0	98	0	306	714
<b>Total Noncurrent Liabilities</b>	<b>\$ 934</b>	<b>\$ 30,059</b>	<b>\$ 456,155</b>	<b>\$ 131</b>	<b>\$ 10,097</b>	<b>\$ 0</b>	<b>\$ 4,989</b>	<b>\$ 502,365</b>
<b>Total Liabilities</b>	<b>\$ 1,485</b>	<b>\$ 45,897</b>	<b>\$ 504,805</b>	<b>\$ 101,360</b>	<b>\$ 11,089</b>	<b>\$ 4,038</b>	<b>\$ 26,647</b>	<b>\$ 695,321</b>
<b>Deferred Inflows of Resources</b>								
Deferred Inflows from Pensions	\$ 136	\$ 43	\$ 0	\$ 129	\$ 0	\$ 0	\$ 0	\$ 308
<b>Total Deferred Inflows</b>	<b>\$ 136</b>	<b>\$ 43</b>	<b>\$ 0</b>	<b>\$ 129</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 308</b>
<b>Net Position</b>								
Net Investment in Capital Assets	\$ 9,277	\$ 0	\$ 0	\$ 253,735	\$ 1,449	\$ 0	\$ 29,746	\$ 294,207
Restricted for:								
Other Special Purpose								
Expendable	2,320	0	0	1,186	0	0	0	3,506
Unrestricted	37,798	3,481	(485,782)	140,319	7,502	5,846	44,509	(246,327)
<b>Total Net Position</b>	<b>\$ 49,395</b>	<b>\$ 3,481</b>	<b>\$ (485,782)</b>	<b>\$ 395,240</b>	<b>\$ 8,951</b>	<b>\$ 5,846</b>	<b>\$ 74,255</b>	<b>\$ 51,386</b>

State of Oklahoma  
 Combining Statement of Activities  
 Nonmajor Component Units  
 For the Fiscal Year Ended June 30, 2019  
 (expressed in thousands)

	Program Revenues			General Revenue			Net Position Beginning of Year	Net Position End of Year
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue	Payments from Primary Government	Change in Net Asset		
Nonmajor Component Units:								
Oklahoma Educational Television Authority	\$ 11,696	\$ 8,292	\$ 2,035	\$ (1,369)	\$ 2,702	\$ 1,333	\$ 48,062	\$ 49,395
Oklahoma Industrial Finance Authority	1,194	1,438	0	244	0	244	3,237	3,481
Multiple Injury Trust Fund	71,856	216	0	(71,640)	48,351	(23,289)	(462,493)	(485,782)
University Hospitals Authority	287,980	228,777	0	(59,203)	37,419	(21,784)	417,024	395,240
Oklahoma Development Finance Authority	1,082	1,543	0	461	0	461	8,490	8,951
Oklahoma Capital Investment Board	822	7,665	0	6,843	0	6,843	(997)	5,846
Oklahoma State Univ. Medical Authority	143,631	134,423	16,977	7,769	0	7,769	66,486	74,255
<b>Total Nonmajor Component Units</b>	<b>\$ 518,261</b>	<b>\$ 382,354</b>	<b>\$ 19,012</b>	<b>\$ (116,895)</b>	<b>\$ 88,472</b>	<b>\$ (28,423)</b>	<b>\$ 79,809</b>	<b>\$ 51,386</b>





Top: Walkways over the pens allow easy passage from the parking lot to the sales arena at the Oklahoma National Stockyards.



Left: A pigeon rests on a wire above the pens.



INDEPENDENT AUDITOR'S 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*

TO THE GOVERNOR AND MEMBERS  
OF THE LEGISLATURE OF THE STATE OF OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State of Oklahoma's basic financial statements, and have issued our report thereon dated December 29, 2019, which included an emphasis paragraph on the Multiple Injury Trust Fund for a net deficit related primarily to court awards that exceeded the apportionment of special tax revenue collected. Our report includes a reference to other auditors who audited:

- the financial statements of the Water Resources Board which represent fifty percent of the assets, thirty-two percent of the net position and five percent of the revenues of the proprietary funds;
- the financial statements of the Oklahoma Municipal Power Authority, Oklahoma Housing Finance Agency, Grand River Dam Authority, Oklahoma Turnpike Authority, University of Oklahoma, University of Oklahoma – Foundation, Oklahoma State University, Oklahoma State University – Foundation, the Regents for Higher Education, and University of Oklahoma – Health Sciences Center which in the aggregate represent eighty-two percent of the assets, eighty-six percent of the net position and seventy-three percent of the revenues for the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, and the Tobacco Settlement Endowment permanent fund, which in the aggregate represent ninety-eight percent of the assets, ninety-eight percent of the fund balance and ninety-nine percent of the revenues of the permanent funds;
- the financial statements of the Oklahoma Teachers Retirement System, the Oklahoma Public Employees Retirement System, and the Oklahoma Firefighters Pension and Retirement System which in the aggregate represent eighty-seven percent of the assets, eighty-eight percent of the net position and ninety-one percent of the additions of the aggregate remaining fund information;
- the financial statements of the Department of Commerce, and the Department of Wildlife, which in the aggregate represent one percent of the assets, one percent of the fund balance and one percent of the revenues of the general fund.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

*Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the State of Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Oklahoma's internal control.



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 19-695-023, 19-695-024, 19-695-026, and 19-695-029 that we consider to be significant deficiencies.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the State of Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### ***State of Oklahoma's Response to Findings***

The State of Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The State of Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Open Records Act (51 O.S. § 24A.1 et seq.) and shall be open to any person for inspection and copying.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

December 29, 2019

## Schedule of Findings and Responses

**Reference Number:** 19-695-023

**State Agency:** Oklahoma Tax Commission (the Commission); Office of Management and Enterprise Services (OMES)

**Fund Type:** Governmental Funds: General Fund

**Other Information:** Taxes Receivable

**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.”

A basic objective of Generally Accepted Accounting Principles (GAAP) is to provide accurate, reliable and timely information through a proper review and approval process.

*Governmental Accounting Standards Board Statement Number 34 (GASB 34), Paragraph 73 states, “Agency Funds should report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.”*

*GASB 34 Paragraph 111 states, in part, “Sometimes an agency fund is used as a clearing account to distribute financial resources to other funds of the government, as well as other entities. ... When this occurs, the portion of the clearing account balance that pertains to other funds of the [government] should not be reported in agency funds. Rather, it should be reported as assets in the appropriate funds.”*

The Sales Tax Code, as specified in 68 O.S. § 1370 (A.) states, in part, “In accordance with the provisions of Section 1 of this act, any county of this state may levy a sales tax of not to exceed two percent (2%) upon the gross proceeds or gross receipts derived from all sales or services in the county upon which a consumer's sales tax is levied by this state. Before a sales tax may be levied by the county, the imposition of the tax shall first be approved by a majority of the registered voters of the county voting thereon at a special election called by the board of county commissioners or by initiative petition signed by not less than five percent (5%) of the registered voters of the county who were registered at the time of the last general election... .”

The Use Tax Code, as specified in 68 O.S. § 1411 states, in part, “The board of county commissioners of a county levying a county sales tax or the governing body of a municipality levying a municipal sales tax may levy an additional excise tax, at a rate that equals the county or municipal sales tax rate of such county or municipality, whichever is applicable, on the storage, use or other consumption of tangible personal property used, stored or consumed within the county or municipality. This authorization to levy and impose a county or municipal use tax shall be in addition to the tax levied by Section 1402 of this title. Such tax shall be paid by every person storing, using or otherwise consuming, within the county or municipality, tangible personal property purchased or brought into the county or municipality.”

The Sales Tax Code for Lodging Tax, as specified in 68 O.S. § 1370.9 (A.) states, in part, “In addition to any other sales tax levied by a county pursuant to the provisions of Section 1350 et seq. of this title, any county of this state having a population of less than Two Hundred Thousand (200,000), according to the latest Federal Decennial Census, may levy a lodging tax, not to exceed five percent (5%), upon the gross proceeds or gross receipts derived from the service of furnishing of rooms by hotel, apartment hotel, or motel and for the furnishing of any other facility for public lodging, except campsites. Before such a tax may be levied by the county, the imposition of the tax shall first be approved by a majority of the registered voters of the county voting thereon at a special election called by the board of county commissioners or by initiative petition signed by not less than five percent (5%) of the registered voters of the county who were registered at the time of the last general election... .”

**Condition:** The Commission reported their total taxes receivable amount split between “Cities and Counties” and “Various” on the Office of Management and Enterprise Services (OMES) GAAP Package E-1. The GAAP Package E-1 is the form utilized by state agencies to report taxes receivable to OMES for inclusion in the CAFR. OMES recorded the total of the taxes receivable reported in the General Fund section of the Governmental Fund Statements instead of recording the “Cities and Counties” amount in the Agency Fund. The Commission did not appropriately complete GAAP Package E-1 by not specifying which fund the receivable was attributable to.

OMES erroneously excluded the local government sales, use, and lodging tax amount from the *Taxes Receivable* on the Statement of Fiduciary Net Position – Agency Fund and included the amount in the General Fund. The total amount excluded was \$147,651,776.

**Cause:** The current instructions for GAAP Package E-1 did not adequately inform the Commission on how to properly report the local government sales, use, and lodging tax amounts. The review process in place at OMES did not detect the Agency Fund portion of the *Taxes Receivable* to comply with the Oklahoma Statute and GAAP.

**Effect:** The *Taxes Receivable* reported on the *Governmental Funds Balance Sheet* included taxes the State of Oklahoma is expected to collect on behalf of the local governments at year-end, and thus *Taxes Receivable* reported on the *Governmental Funds Balance Sheet* was overstated by \$147,651,776.

**Recommendation:** We recommend the State of Oklahoma (the Commission and OMES) develop and document a method to determine and properly report all Taxes Receivables that are expected to be collected on behalf of others to ensure compliance with the Oklahoma Statutes and GAAP. We also recommend the State of Oklahoma (the Commission and OMES) develop a review process to ensure the General Fund and Agency Fund *Taxes Receivable* are properly distinguished and recorded in the State of Oklahoma - CAFR.

**Agency Management Response:**

The Tax Commission now understands the complete requirement of GAAP Package E-1 that was not previously outlined in the instructions for the package. The Commission will provide the specific fund to which the receivable was attributable in future submissions.

**OMES Response:**

OMES accepts the finding and has corrected the financial statements to include the taxes receivable of other governments on the State of Oklahoma’s agency fund financial statements. It was the belief of financial reporting that such receivables were receivables of the jurisdictions that had levied the taxes, and therefore were not reportable by the State of Oklahoma until such time as the taxes had been collected and were then payable to the levying institution. OMES’ research found this treatment to be common practice. After consultation with the Government Accounting Standards Board, it was determined that such taxes should be reported as receivable at both the State of Oklahoma’s agency fund, as well as the levying institution.

In future years, the Oklahoma Tax Commission has been instructed to report the amounts of taxes receivable for the state and taxes receivable on behalf of other governments in separate submissions. This will segregate the reporting in a way that will protect against commingling the receivables in the state CAFR.

**Reference Number:** 19-695-024

**State Agency:** Oklahoma Tax Commission (the Commission)

**Fund Type:** Government-Wide – Governmental Activities; Governmental Funds - General Fund

**Other Information:** Taxes Receivable

**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.”

Governmental Accounting Standards Board Statement Number 34 (GASB 34) Paragraph 16 states, “The statement of net assets and the statement of activities should be reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions should be recognized in accordance with the requirements of Statement 33.”

GASB 34 Paragraph 16 states, in part, “Financial statements for governmental funds should be presented using the *current resources measurement focus* and the *modified accrual basis of accounting*....”

GASB 33 Paragraph 16 states, “Governments should recognize assets from derived tax revenue transactions in the period when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. *Revenues* should be recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance should be reported as deferred revenues (liabilities) until the period of exchange.”

GASB 33 Paragraph 30 states, in part, “When the modified accrual basis of accounting is used, revenues resulting from nonexchange transactions should be recognized... in the period when the underlying exchange has occurred, and the resources are available.”

Office of Management and Enterprise Services (OMES) GAAP Conversion Manual for GAAP Package E. Taxes Receivable and Refunds Payable Conversion Package IV. A. 3. states, “Taxes receivables as of June 30 can be estimated by compiling the tax receipts in July and August. Specify by the type of tax. If your agency has a receivable system in place that system should be used.”

**Condition:** The Gross Production and Motor Vehicle Taxes derived from taxes due to the Commission as of June 30, 2019 and received between July 1, 2019 to August 30, 2019 were not reported by the Commission as taxes receivable on the GAAP Package E-1.

**Cause:** The current review process in place at the Commission did not detect the misstatement. The Gross Production and Motor Vehicle Taxes are kept in separate systems from the main OneLink General Ledger system the Commission used to calculate Taxes Receivable.

**Effect:** The financial statements were not in compliance with the GAAP accrual and modified accrual basis of accounting. The taxes receivable amount underreported by the Commission on the GAAP Package E-1 caused the taxes receivable on the State of Oklahoma – Comprehensive Annual Financial Report (CAFR) to be understated by \$137,643,280.

**Recommendation:** We recommend the Commission implement procedures to determine and report all taxes receivables in compliance with standards. We also recommend the Commission develop a review process to detect omissions of information from the GAAP Package E-1. The design should ensure the Commission’s GAAP Package E-1 is prepared in accordance with GAAP and the State of Oklahoma – CAFR is fairly stated.

**Agency Management Response:**

The Tax Commission will contact other Departments of Revenue to determine how other state governments are using the information available to determine taxes receivable. Using this information, the Commission will develop and document a method to accurately and consistently implement for reporting.

**Reference Number:** 19-695-026

**State Agency:** Oklahoma Tax Commission (the Commission)

**Fund Type:** Government-Wide – Governmental Activities; Governmental Funds - General Fund

**Other Information:** Taxes Receivable

**Criteria:** The United States Government Accountability Office (GAO) Standards for Internal Control in the Federal Government section 11.03 states in part, “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 represents the life cycle of information used for the entity's operational processes that enables the entity to obtain, store, and process quality information."

The GAO Standards for Internal Control in the Federal Government section 11.05 states, "Management also evaluates information processing objectives to meet the defined information requirements. Information processing objectives may include . . . completeness . . . accuracy . . . validity."

The GAO Standards for Internal Control in the Federal Government 11.06 states, "Management designs appropriate types of control activities in the entity's information system for coverage of information processing objectives for operational processes."

The GAO Standards for Internal Control in the Federal Government 13.02 states, "Management designs a process that uses the entity's objectives and related risks to identify the information requirements needed to achieve the objectives and address the risks. Information requirements consider the expectations of both internal and external users. Management defines the identified information requirements at the relevant level and requisite specificity for appropriate personnel."

**Condition:** The data used to compile gross production taxes receivable included \$98 million in collections that did not include production dates. Without the production dates, the Commission was unable to determine if these collections were receivables at year end and therefore should have been reported on the SFY 2019 GAAP Package E-1: Taxes Receivable and Refunds Payable (GAAP Package E-1).

In addition, the OneLink Motor Vehicle system posts batch transactions to the general ledger. Because of this batch processing, the general ledger is unable to provide a portion of the detailed transactions in a timely manner to determine whether \$44 million in motor vehicle tax collections were receivables that should have been reported on the SFY 2019 GAAP Package E-1.

**Cause:** The Gross Production and Motor Vehicle systems provide limited detailed information for the Commission to determine whether or not collections should be receivables at year end and included in GAAP Package E-1.

Gross production taxes can be paid without filing a report. Therefore, the Commission did not have sufficient detailed support behind these tax payments to determine if these collections should be taxes receivable and included in the GAAP Package E-1.

Motor vehicle taxes are reported by multiple external sources in batch form. The underlying detailed support for the transactions remains with the external source. This makes it impossible for the Commission to determine if collections should be receivables and included in GAAP Package E-1.

**Effect:** Since sufficient detailed data for these tax receipts was unavailable, the amounts reported on GAAP Package E-1 and the State of Oklahoma – Comprehensive Annual Financial Report could be understated based on the \$142 million of detailed transactions that could not be provided.

**Recommendation:** We recommend the Commission obtain the detailed support for the gross production tax collections as close to the tax payment date as possible and develop a process to gather detail of motor vehicle transactions from external sources to timely determine the taxes receivable on the year-end GAAP Package E-1.

**Agency Management Response:**

The Tax Commission will contact other Departments of Revenue to determine how other state governments are using the information available to determine taxes receivable. Using this information, the Commission will develop and document a method to accurately and consistently implement for reporting.

**Reference Number:** 19-695-029

**State Agency:** Oklahoma Tax Commission (the Commission); Office of Management and Enterprise Services (OMES)

**Fund Type:** Agency Fund; General Fund



**Other Information: Cash/Cash Equivalents**

**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.”

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:** The Cash/Cash Equivalents that are held for taxes levied by the State of Oklahoma was erroneously recorded in the Agency Fund, instead of the General Fund.

**Cause:** The State of Oklahoma’s (the Commission and OMES) approach to reporting Cash/Cash Equivalents on Generally Accepted Accounting Principles (GAAP) Package S-1 was not consistent with the *Governmental Accounting Standards Board* interpretation.

**Effect:** The error resulted in a \$307,319,000 overstatement of cash/cash equivalents in the Agency Fund and understatement of cash in the General Fund.

**Recommendation:** We recommend the State of Oklahoma (the Commission and OMES) develop and document a method to properly report all Cash levied by the State of Oklahoma and local governments to ensure compliance with the Oklahoma Statutes and GAAP. We also recommend the State of Oklahoma (the Commission and OMES) develop a review process to ensure the General Fund and Agency Fund *Cash* amounts are distinguished and properly recorded in the State of Oklahoma - CAFR.

**Agency Management Response:**

The Tax Commission now understands the complete requirement of GAAP Package S-1 that was not previously outlined in the instructions for the package. The Commission will provide the specific fund to which the cash/cash equivalents are attributable in future submissions.

**OMES Response:**

OMES accepts this finding and has made the proper adjustments to meet the new understanding of the proper treatment of taxes held for others. The practice that had been adhered to since the implementation of GASB pronouncement number 34 was that all tax revenue collected for distribution to other governments was reported as fiduciary cash. After consultation with the Government Accounting Standards Board on a different matter, this treatment was thrown into question. For fiscal year 2019 and future reporting periods, the State of Oklahoma will only include tax revenues collected by the state but levied by other governments in the fiduciary financial statements.

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A herd of longhorns returns to the Oklahoma National Stockyards after a cattle drive in October during the Stockyards Stampede.



**STATISTICAL SECTION  
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## Using the Statistical Section

The statistical section of the Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the state's overall financial health. The information is grouped into the following five categories:

### **Financial Trends** – Net Position by Component, Changes in Net Position, Fund Balances, and Changes in Fund Balance

These schedules contain trend information to help the reader understand how the state's financial performance and well-being have changed over time.

### **Revenue Capacity** – Personal Income by Industry, Personal Income Tax Filers and Liability by Adjusted Gross Income, and Tax Collections

These schedules contain information to help the reader assess the ability of the state to generate and collect taxes.

### **Debt Capacity** – Percentage of Annual Debt Service Expenditures for General Bonded Debt to Total Expenditures, Ratios of Outstanding Debt by Type, and Revenue Bond Coverage

These schedules present information to help the reader assess the affordability of the state's current levels of outstanding debt, its ability to issue additional debt in the future, and its ability to repay the outstanding debt.

### **Demographic and Economic Information** – Major Employers by Size, Demographic and Economic Statistics, and School Enrollments

These schedules offer demographic and economic indicators to help the reader understand the environment within which the state's financial activities take place and to help make comparisons over time and with other governments.

### **Operating Information** – Government Employees by Function, Capital Asset Utilization by Function, Operating Indicators for Governmental Functions, and Additional Information and Sources of Statistical Data

These schedules contain information about the state's operations and resources to help the reader understand how the state's financial information relates to the services the state provides and the activities it performs.

*Sources: Unless otherwise noted, the information in these schedules is derived from CAFR of the relevant year.*

State of Oklahoma  
 Schedule of Net Position by Component  
 Last Ten Fiscal Years  
 (expressed in thousands)

	2010	2011	2012	2013	2014
Governmental activities					
Net investment in capital assets	\$ 8,148,821	\$ 8,710,430	\$ 9,276,689	\$ 9,650,570	\$ 9,992,791
Restricted	2,492,399	3,647,627	3,957,319	4,182,822	4,698,509
Unrestricted	2,415,428	1,895,301	2,091,507	2,106,533	2,029,441
Total governmental activities net position	<u>\$ 13,056,648</u>	<u>\$ 14,253,358</u>	<u>\$ 15,325,515</u>	<u>\$ 15,939,925</u>	<u>\$ 16,720,741</u>
Business-type activities					
Net investment in capital assets	\$ 330	\$ 202	\$ 126	\$ 1,037	\$ 1,415
Restricted	834,824	867,777	1,102,997	1,353,998	1,573,491
Unrestricted	8,887	5,346	273,981	602,997	636,300
Total business-type activities net position	<u>\$ 844,041</u>	<u>\$ 873,325</u>	<u>\$ 1,377,104</u>	<u>\$ 1,958,032</u>	<u>\$ 2,211,206</u>
Primary government					
Net investment in capital assets	\$ 8,149,151	\$ 8,710,632	\$ 9,276,815	\$ 9,651,607	\$ 9,994,206
Restricted	3,327,223	4,515,404	5,060,316	5,536,820	6,272,000
Unrestricted	2,424,315	1,900,647	2,365,488	2,709,530	2,665,741
Total primary government net position	<u>\$ 13,900,689</u>	<u>\$ 15,126,683</u>	<u>\$ 16,702,619</u>	<u>\$ 17,897,957</u>	<u>\$ 18,931,947</u>

State of Oklahoma  
 Fund Balances - Governmental Funds  
 Last Ten Fiscal Years  
 (Modified accrual basis of accounting)  
 (expressed in thousands)

	2010	2011	2012	2013	2014
General Fund					
Reserved	\$ 679,812	\$ -	\$ -	\$ -	\$ -
Unreserved	2,644,239	-	-	-	-
Nonspendable	-	64,817	73,539	84,743	74,278
Restricted	-	1,020,229	1,244,592	1,240,573	1,340,771
Committed	-	2,630,649	2,755,138	2,788,761	2,632,260
Assigned	-	-	-	1,960	1,777
Unassigned	-	62,301	144,365	133,796	133,796
Total General Fund	<u>\$ 3,324,051</u>	<u>\$ 3,777,996</u>	<u>\$ 4,217,634</u>	<u>\$ 4,249,833</u>	<u>\$ 4,182,882</u>
All Other Governmental Funds					
Reserved	\$ 2,232,060	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	2,539,403	2,549,833	2,829,731	3,226,796
Restricted	-	23,294	15,980	12,438	7,417
Committed	-	-	-	-	53,430
Assigned	-	2,928	66,135	60,952	70,096
Unassigned	-	26,355	25,724	39,056	-
Total All Other Governmental Funds	<u>\$ 2,232,060</u>	<u>\$ 2,591,980</u>	<u>\$ 2,657,672</u>	<u>\$ 2,942,177</u>	<u>\$ 3,357,739</u>
Total All Governmental Fund Balances	<u>\$ 5,556,111</u>	<u>\$ 6,369,976</u>	<u>\$ 6,875,306</u>	<u>\$ 7,192,010</u>	<u>\$ 7,540,621</u>

Note: Effective 6/30/11, GASB statement 54 established new fund balance reporting classifications based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Prior year unreserved funds are now labeled unassigned funds. Prior year reserved funds are now separated into four categories.



	2015	2016	2017	2018	2019
<b>Governmental activities</b>					
Net investment in capital assets	\$ 10,425,644	\$ 10,865,784	\$ 11,031,695	\$ 11,318,869	\$ 11,401,782
Restricted	4,930,516	4,140,040	4,392,708	4,554,212	5,238,284
Unrestricted	1,696,768	1,397,498	1,484,206	1,853,248	3,368,454
<b>Total governmental activities net position</b>	<b>\$ 17,052,928</b>	<b>\$ 16,403,322</b>	<b>\$ 16,908,609</b>	<b>\$ 17,726,329</b>	<b>\$ 20,008,520</b>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 1,914	\$ 2,856	\$ 2,477	\$ 2,085	\$ 1,543
Restricted	1,601,651	1,468,588	1,423,476	1,471,069	1,554,235
Unrestricted	582,633	528,198	532,518	575,621	613,370
<b>Total business-type activities net position</b>	<b>\$ 2,186,198</b>	<b>\$ 1,999,642</b>	<b>\$ 1,958,471</b>	<b>\$ 2,048,775</b>	<b>\$ 2,169,148</b>
<b>Primary government</b>					
Net investment in capital assets	\$ 10,427,558	\$ 10,868,640	\$ 11,034,172	\$ 11,320,954	\$ 11,403,325
Restricted	6,532,167	5,608,628	5,816,184	6,025,281	6,792,519
Unrestricted	2,279,401	1,925,696	2,016,724	2,428,869	3,981,824
<b>Total primary government net position</b>	<b>\$ 19,239,126</b>	<b>\$ 18,402,964</b>	<b>\$ 18,867,080</b>	<b>\$ 19,775,104</b>	<b>\$ 22,177,668</b>

	2015	2016	2017	2018	2019
<b>General Fund</b>					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	76,851	80,281	78,555	77,093	106,736
Restricted	1,572,465	815,862	790,129	1,145,684	1,331,237
Committed	2,634,649	2,445,893	2,245,651	2,274,589	3,735,918
Assigned	1,045	609	542	-	-
Unassigned	96,297	25,866	23,338	112,912	201,560
<b>Total General Fund</b>	<b>\$ 4,381,307</b>	<b>\$ 3,368,511</b>	<b>\$ 3,138,215</b>	<b>\$ 3,610,278</b>	<b>\$ 5,375,451</b>
<b>All Other Governmental Funds</b>					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	3,228,359	3,212,407	3,508,054	3,625,586	3,785,281
Restricted	1,265	5,081	-	-	-
Committed	48,967	29,394	41,833	65,263	60,210
Assigned	79,460	77,296	52,692	41,789	61,556
Unassigned	-	-	-	-	-
<b>Total All Other Governmental Funds</b>	<b>\$ 3,358,051</b>	<b>\$ 3,324,178</b>	<b>\$ 3,602,579</b>	<b>\$ 3,732,638</b>	<b>\$ 3,907,047</b>
<b>Total All Governmental Fund Balances</b>	<b>\$ 7,739,358</b>	<b>\$ 6,692,689</b>	<b>\$ 6,740,794</b>	<b>\$ 7,342,916</b>	<b>\$ 9,282,498</b>

State of Oklahoma  
Changes in Net Position by Component  
Last Ten Fiscal Years  
(expressed in thousands)

	2010	2011	2012	2013	2014
<b>Expenses</b>					
<b>Governmental Activities:</b>					
Education-General	\$ 3,573,881	\$ 3,506,316	\$ 2,413,027	\$ 2,405,694	\$ 3,322,341
Education-Payment to Higher Education	1,076,248	1,065,225	1,982,235	2,003,101	1,037,785
Government Administration	1,611,256	1,663,883	1,763,437	1,866,501	1,830,570
Health Services	4,750,304	4,866,858	5,432,791	5,462,257	5,766,102
Legal and Judiciary	256,867	241,360	236,979	245,372	261,344
Museums	14,572	13,539	15,455	15,916	17,691
Natural Resources	249,020	257,998	223,444	353,243	264,233
Public Safety and Defense	811,999	850,190	825,787	820,506	863,080
Regulatory Services	119,044	127,211	116,789	129,206	131,756
Social Services	2,287,486	2,269,749	2,126,879	2,222,255	2,240,638
Transportation	842,394	934,272	845,784	941,132	1,043,522
Interest on Long-Term Debt	70,549	100,363	95,097	112,030	71,270
<b>Governmental Activities</b>	<b>\$ 15,663,620</b>	<b>\$ 15,896,964</b>	<b>\$ 16,077,704</b>	<b>\$ 16,577,213</b>	<b>\$ 16,850,332</b>
<b>Business-Type Activities:</b>					
Employment Security Commission	\$ 1,146,720	\$ 776,001	\$ 537,575	\$ 386,399	\$ 289,959
Water Resources Board	26,739	40,769	39,979	39,398	35,286
Office of Management and Enterprise Services	-	-	-	843,065	925,327
Lottery Commission	132,642	132,812	127,729	128,642	123,180
<b>Business-Type Activities</b>	<b>\$ 1,306,101</b>	<b>\$ 949,582</b>	<b>\$ 705,283</b>	<b>\$ 1,397,504</b>	<b>\$ 1,373,752</b>
<b>Total Primary Government Expenses</b>	<b>\$ 16,969,721</b>	<b>\$ 16,846,546</b>	<b>\$ 16,782,987</b>	<b>\$ 17,974,717</b>	<b>\$ 18,224,084</b>
<b>Program Revenues</b>					
<b>Governmental Activities:</b>					
Charges for Services:					
Government Administration	\$ 224,563	\$ 226,054	\$ 263,050	\$ 469,439	\$ 189,753
Health Services	167,567	174,185	476,950	472,502	557,041
Social Services	198,086	171,890	62,997	26,317	61,925
All Others	707,820	570,744	564,370	697,964	627,565
<b>Total Charges for Services</b>	<b>\$ 1,298,036</b>	<b>\$ 1,142,873</b>	<b>\$ 1,367,367</b>	<b>\$ 1,666,222</b>	<b>\$ 1,436,284</b>
Operating Grants and Contributions	7,804,862	7,982,737	7,181,699	6,939,234	7,326,805
<b>Total Governmental Activities</b>	<b>\$ 9,102,898</b>	<b>\$ 9,125,610</b>	<b>\$ 8,549,066</b>	<b>\$ 8,605,456</b>	<b>\$ 8,763,089</b>
<b>Business-Type Activities:</b>					
Charges for Services:					
Employment Security Commission	\$ 206,763	\$ 352,458	\$ 634,373	\$ 535,290	\$ 475,453
Water Resources Board	26,979	76,225	59,461	54,877	55,315
Office of Management and Enterprise Services	-	-	-	860,767	941,890
Lottery Commission	199,926	198,274	199,973	200,324	191,564
<b>Total Charges for Services</b>	<b>\$ 433,668</b>	<b>\$ 626,957</b>	<b>\$ 893,807</b>	<b>\$ 1,651,258</b>	<b>\$ 1,664,222</b>
Operating Grants and Contributions	596,350	421,483	260,936	138,918	37,901
<b>Total Business-Type Activities</b>	<b>\$ 1,030,018</b>	<b>\$ 1,048,440</b>	<b>\$ 1,154,743</b>	<b>\$ 1,790,176</b>	<b>\$ 1,702,123</b>
<b>Total Primary Government Revenue</b>	<b>\$ 10,127,765</b>	<b>\$ 10,172,410</b>	<b>\$ 9,703,247</b>	<b>\$ 10,396,260</b>	<b>\$ 10,465,028</b>
<b>Net (Expense) Revenue:</b>					
Governmental Activities	\$ (6,560,722)	\$ (6,771,354)	\$ (7,528,638)	\$ (7,971,757)	\$ (8,087,243)
Business-Type Activities	(276,083)	98,858	449,460	392,672	328,371
<b>Total Primary Government</b>	<b>\$ (6,836,805)</b>	<b>\$ (6,672,496)</b>	<b>\$ (7,079,178)</b>	<b>\$ (7,579,085)</b>	<b>\$ (7,758,872)</b>
<b>General Revenues</b>					
<b>Governmental Activities:</b>					
Taxes	\$ 6,825,428	\$ 7,736,326	\$ 8,371,138	\$ 8,342,838	\$ 8,691,182
Investment Earnings	45,116	117,128	80,488	68,601	59,298
Contributions to Permanent Funds	62,325	61,738	64,861	87,515	60,516
Gain (Loss) on Sale of Assets	3,816	-	-	-	-
Special Item	-	-	7,384	615	-
Transfers	70,315	69,574	65,880	77,745	81,020
<b>Total Governmental Activities</b>	<b>\$ 7,007,000</b>	<b>\$ 7,984,766</b>	<b>\$ 8,589,751</b>	<b>\$ 8,577,314</b>	<b>\$ 8,892,016</b>
<b>Business-Type Activities:</b>					
Transfers	\$ (70,315)	\$ (69,574)	\$ (65,880)	\$ (77,745)	\$ (81,020)
<b>Total Business-Type Activities</b>	<b>\$ (70,315)</b>	<b>\$ (69,574)</b>	<b>\$ (65,880)</b>	<b>\$ (77,745)</b>	<b>\$ (81,020)</b>
<b>Total General Revenues and Transfers</b>	<b>\$ 6,936,685</b>	<b>\$ 7,915,192</b>	<b>\$ 8,523,871</b>	<b>\$ 8,499,569</b>	<b>\$ 8,810,996</b>
Change in Net Position (Governmental)	\$ 446,278	\$ 1,213,412	\$ 1,061,113	\$ 605,557	\$ 804,773
Change in Net Position (Business-Type)	(346,398)	29,284	383,580	314,927	247,351
<b>Net Position - Beginning of Year (as restated)</b>	<b>13,800,809</b>	<b>13,883,987</b>	<b>15,257,926</b>	<b>16,977,473</b>	<b>17,879,823</b>
<b>Net Position - End of Year</b>	<b>\$ 13,900,689</b>	<b>\$ 15,126,683</b>	<b>\$ 16,702,619</b>	<b>\$ 17,897,957</b>	<b>\$ 18,931,947</b>

	2015	2016	2017	2018	2019
<b>Expenses</b>					
<b>Governmental Activities:</b>					
Education-General	\$ 3,424,751	\$ 3,435,184	\$ 3,361,645	\$ 3,507,277	\$ 4,009,839
Education-Payment to Higher Education	1,030,060	942,707	889,389	761,036	790,651
Government Administration	1,114,539	2,114,501	1,870,606	2,111,959	2,193,051
Health Services	5,660,101	5,710,985	5,613,009	5,603,631	5,965,780
Legal and Judiciary	205,622	262,081	267,320	252,845	254,928
Museums	18,189	12,502	11,316	11,281	12,914
Natural Resources	288,333	290,366	318,494	281,187	457,332
Public Safety and Defense	787,751	859,395	895,929	885,841	885,374
Regulatory Services	153,511	193,245	97,804	115,590	152,337
Social Services	2,187,576	2,356,625	2,199,151	2,137,520	2,180,094
Transportation	1,086,603	1,109,349	1,128,688	1,148,291	1,096,785
Interest on Long-Term Debt	58,330	78,130	76,321	56,493	58,197
Governmental Activities	<u>\$ 16,015,366</u>	<u>\$ 17,365,070</u>	<u>\$ 16,729,672</u>	<u>\$ 16,872,951</u>	<u>\$ 18,057,282</u>
<b>Business-Type Activities:</b>					
Employment Security Commission	\$ 281,058	\$ 395,192	\$ 320,111	\$ 250,465	\$ 225,242
Water Resources Board	32,641	34,673	34,932	37,489	41,106
Office of Management and Enterprise Services	1,023,920	1,051,966	1,031,753	1,051,302	1,089,343
Lottery Commission	112,624	121,139	97,619	161,388	174,641
Business-Type Activities	<u>\$ 1,450,243</u>	<u>\$ 1,602,970</u>	<u>\$ 1,484,415</u>	<u>\$ 1,500,644</u>	<u>\$ 1,530,332</u>
Total Primary Government Expenses	<u>\$ 17,465,609</u>	<u>\$ 18,968,040</u>	<u>\$ 18,214,087</u>	<u>\$ 18,373,595</u>	<u>\$ 19,587,614</u>
<b>Program Revenues</b>					
<b>Governmental Activities:</b>					
Charges for Services:					
Government Administration	\$ 558,328	\$ 330,500	\$ 447,826	\$ 350,687	\$ 442,407
Health Services	544,828	625,906	633,940	579,414	666,742
Social Services	11,962	36,311	9,984	72,277	35,236
All Others	628,232	659,458	698,598	766,977	951,162
Total Charges for Services	<u>\$ 1,743,350</u>	<u>\$ 1,652,175</u>	<u>\$ 1,790,348</u>	<u>\$ 1,769,355</u>	<u>\$ 2,095,547</u>
Operating Grants and Contributions	6,744,975	6,785,553	7,131,617	6,681,680	7,152,628
Total Governmental Activities	<u>\$ 8,488,325</u>	<u>\$ 8,437,728</u>	<u>\$ 8,921,965</u>	<u>\$ 8,451,035</u>	<u>\$ 9,248,175</u>
<b>Business-Type Activities:</b>					
Charges for Services:					
Employment Security Commission	\$ 305,538	\$ 254,001	\$ 278,815	\$ 285,454	\$ 285,617
Water Resources Board	53,329	61,237	42,455	47,802	74,888
Office of Management and Enterprise Services	964,432	984,734	1,026,482	1,083,430	1,099,660
Lottery Commission	171,989	190,074	151,917	221,643	242,592
Total Charges for Services	<u>\$ 1,495,288</u>	<u>\$ 1,490,046</u>	<u>\$ 1,499,669</u>	<u>\$ 1,638,329</u>	<u>\$ 1,702,757</u>
Operating Grants and Contributions	10,935	8,302	9,031	15,620	16,137
Total Business-Type Activities	<u>\$ 1,506,223</u>	<u>\$ 1,498,348</u>	<u>\$ 1,508,700</u>	<u>\$ 1,653,949</u>	<u>\$ 1,718,894</u>
Total Primary Government Revenue	<u>\$ 9,997,863</u>	<u>\$ 9,936,752</u>	<u>\$ 10,430,665</u>	<u>\$ 10,104,984</u>	<u>\$ 10,967,069</u>
Net (Expense) Revenue:					
Governmental Activities	\$ (7,527,041)	\$ (8,927,342)	\$ (7,807,707)	\$ (8,421,916)	\$ (8,809,107)
Business-Type Activities	55,980	(104,622)	24,285	153,305	188,562
Total Primary Government	<u>\$ (7,471,061)</u>	<u>\$ (9,031,964)</u>	<u>\$ (7,783,422)</u>	<u>\$ (8,268,611)</u>	<u>\$ (8,620,545)</u>
<b>General Revenues</b>					
<b>Governmental Activities:</b>					
Taxes	\$ 8,612,118	\$ 8,232,688	\$ 8,131,948	\$ 9,231,672	\$ 10,550,834
Investment Earnings	60,007	60,792	53,157	58,075	97,978
Contributions to Permanent Funds	59,287	58,810	59,460	54,765	54,269
Gain (Loss) on Sale of Assets	-	-	-	-	-
Special Item	(451)	-	-	-	-
Transfers	76,211	78,979	65,456	63,001	67,556
Total Governmental Activities	<u>\$ 8,807,172</u>	<u>\$ 8,431,269</u>	<u>\$ 8,310,021</u>	<u>\$ 9,407,513</u>	<u>\$ 10,770,637</u>
<b>Business-Type Activities:</b>					
Transfers	\$ (76,211)	\$ (78,979)	\$ (65,456)	\$ (63,001)	\$ (67,556)
Total Business-Type Activities	<u>\$ (76,211)</u>	<u>\$ (78,979)</u>	<u>\$ (65,456)</u>	<u>\$ (63,001)</u>	<u>\$ (67,556)</u>
Total General Revenues and Transfers	<u>\$ 8,730,961</u>	<u>\$ 8,352,290</u>	<u>\$ 8,244,565</u>	<u>\$ 9,344,512</u>	<u>\$ 10,703,081</u>
Change in Net Position (Governmental)	\$ 1,280,131	\$ (496,073)	\$ 502,314	\$ 985,597	\$ 1,961,530
Change in Net Position (Business-Type)	(20,231)	(183,601)	(41,171)	90,304	121,006
Net Position - Beginning of Year (as restated)	17,979,226	19,082,638	18,405,937	18,699,203	20,095,132
Net Position - End of Year	<u>\$ 19,239,126</u>	<u>\$ 18,402,964</u>	<u>\$ 18,867,080</u>	<u>\$ 19,775,104</u>	<u>\$ 22,177,668</u>

# State of Oklahoma

## Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(Modified accrual basis of accounting)

(expressed in thousands)

	2010	2011	2012	2013	2014
<b>Revenues</b>					
Taxes:					
Income Taxes-Individual	\$ 2,093,097	\$ 2,527,208	\$ 2,722,648	\$ 2,854,034	\$ 2,893,520
Income Taxes-Corporate	219,795	351,074	443,358	583,829	396,087
Sales Tax	1,982,820	2,191,359	2,400,752	2,523,139	2,599,078
Gross Production Taxes	762,223	818,572	837,302	512,875	666,825
Motor Vehicle Taxes	579,852	638,189	692,046	678,075	788,668
Fuel Taxes	402,999	405,555	410,949	403,641	420,105
Tobacco Taxes	253,172	270,307	278,797	270,682	248,623
Insurance Taxes	88,156	113,951	124,653	145,420	167,489
Beverage Taxes	90,276	95,115	100,547	105,145	109,390
Other Taxes	353,038	324,996	360,086	265,997	401,397
Licenses, Permits and Fees	361,338	405,062	598,030	626,597	672,008
Interest and Investment Revenue	476,597	699,254	336,295	509,424	692,697
Federal Grants	7,456,421	7,499,163	6,934,571	6,647,031	6,746,151
Sales and Services	185,037	166,584	190,779	174,523	200,086
Other	780,704	521,740	614,350	865,023	508,809
<b>Total Revenues</b>	<b>\$ 16,085,525</b>	<b>\$ 17,028,129</b>	<b>\$ 17,045,163</b>	<b>\$ 17,165,435</b>	<b>\$ 17,510,933</b>
<b>Expenditures</b>					
Education	\$ 4,648,786	\$ 4,572,304	\$ 4,395,104	\$ 4,406,724	\$ 4,359,511
Government Administration	1,560,521	1,634,351	1,741,287	1,857,921	2,204,090
Health Services	4,737,363	4,851,630	5,436,158	5,447,207	5,745,842
Legal and Judiciary	248,996	232,245	231,292	239,421	250,376
Museums	14,993	13,801	14,281	14,915	14,532
Natural Resources	279,830	250,174	211,946	337,867	246,556
Public Safety and Defense	755,376	798,995	764,714	768,059	798,173
Regulatory Services	117,821	115,076	111,911	122,354	128,460
Social Services	2,259,473	2,252,188	2,091,972	2,196,864	2,214,898
Transportation	177,683	182,708	208,009	212,248	225,768
Capital Outlay	1,626,181	1,551,017	1,302,447	1,104,103	894,684
Debt Service					
Principal Retirement	111,816	118,163	98,831	221,187	361,488
Interest and fiscal Charges	70,549	72,074	95,097	112,030	71,269
<b>Total Expenditures</b>	<b>\$ 16,609,388</b>	<b>\$ 16,644,726</b>	<b>\$ 16,703,049</b>	<b>\$ 17,040,900</b>	<b>\$ 17,515,647</b>
Revenues in Excess of (Less Than) Expenditures	\$ (523,863)	\$ 383,403	\$ 342,114	\$ 124,535	\$ (4,714)
<b>Other Financing Sources (Uses)</b>					
Transfers In	84,362	71,919	73,168	67,955	81,020
Transfers Out	(14,047)	(2,345)	(7,287)	-	-
Bonds Issued	148,080	559,045	68,805	22,795	235,505
Notes Issued	-	-	-	-	-
Refunding Bonds Issued	-	-	6,140	67,555	-
Bond Issue Premiums	2,671	38,627	11,282	8,099	25,679
Bond Issue Discounts	-	-	(35)	(121)	-
Payment to Refunded Bond Escrow Agent	-	(246,044)	-	-	-
Capital Leases and Certificates of Participation	8,116	2,640	5,659	5,256	322
Sale of Capital Assets	10,142	7,601	8,139	11,928	10,798
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 239,324</b>	<b>\$ 431,443</b>	<b>\$ 165,871</b>	<b>\$ 183,467</b>	<b>\$ 353,324</b>
<b>Net Changes in Fund Balances</b>	<b>\$ (284,539)</b>	<b>\$ 814,846</b>	<b>\$ 507,985</b>	<b>\$ 308,002</b>	<b>\$ 348,610</b>
Fund Balances - Beginning of Year (as restated)	5,840,650	5,555,130	6,367,321	6,884,008	7,192,011
<b>Fund Balances - End of Year</b>	<b>\$ 5,556,111</b>	<b>\$ 6,369,976</b>	<b>\$ 6,875,306</b>	<b>\$ 7,192,010</b>	<b>\$ 7,540,621</b>
Debt Service as a Percentage of Noncapital Expenditures	1.2%	1.3%	1.3%	2.1%	2.6%

	2015	2016	2017	2018	2019
<b>Revenues</b>					
Taxes:					
Income Taxes-Individual	\$ 2,965,231	\$ 2,944,246	\$ 2,948,868	\$ 3,240,777	\$ 3,469,633
Income Taxes-Corporate	373,518	333,838	169,639	251,163	312,862
Sales Tax	2,553,978	2,481,242	2,460,238	2,823,427	3,076,488
Gross Production Taxes	543,656	326,608	412,898	596,196	1,037,656
Motor Vehicle Taxes	772,697	761,052	757,223	868,042	887,074
Fuel Taxes	424,048	432,607	432,780	441,978	539,150
Tobacco Taxes	252,978	257,813	254,935	261,234	360,886
Insurance Taxes	183,722	181,133	164,008	181,614	176,198
Beverage Taxes	112,718	116,246	118,449	122,541	139,737
Other Taxes	429,572	397,902	412,914	444,700	453,214
Licenses, Permits and Fees	695,364	682,750	711,014	780,649	808,705
Interest and Investment Revenue	318,679	254,610	655,229	435,657	496,851
Federal Grants	6,652,689	6,667,592	6,695,846	6,440,084	6,811,030
Sales and Services	180,315	212,169	222,086	217,647	236,892
Other	810,615	729,640	759,334	700,142	977,713
<b>Total Revenues</b>	<b>\$ 17,269,780</b>	<b>\$ 16,779,448</b>	<b>\$ 17,175,461</b>	<b>\$ 17,805,851</b>	<b>\$ 19,784,089</b>
<b>Expenditures</b>					
Education	\$ 4,459,227	\$ 4,373,024	\$ 4,247,212	\$ 4,262,822	\$ 4,799,146
Government Administration	1,522,733	1,699,571	1,935,755	1,981,752	2,043,121
Health Services	5,636,440	5,704,161	5,614,255	5,595,980	5,954,945
Legal and Judiciary	248,668	251,114	254,551	255,739	263,275
Museums	9,698	9,074	7,444	7,650	12,553
Natural Resources	273,081	281,530	295,638	252,484	449,324
Public Safety and Defense	786,197	826,716	837,157	838,098	833,423
Regulatory Services	150,864	191,627	95,621	114,355	150,625
Social Services	2,177,124	2,347,661	2,192,547	2,145,461	2,179,379
Transportation	203,021	237,427	203,290	215,428	233,357
Capital Outlay	1,451,605	1,764,073	1,575,479	1,506,734	1,400,527
Debt Service					
Principal Retirement	408,643	191,272	179,384	140,272	157,460
Interest and fiscal Charges	60,833	76,228	72,994	59,145	53,036
<b>Total Expenditures</b>	<b>\$ 17,388,134</b>	<b>\$ 17,953,478</b>	<b>\$ 17,511,327</b>	<b>\$ 17,375,920</b>	<b>\$ 18,530,171</b>
Revenues in Excess of (Less Than) Expenditures	\$ (118,354)	\$ (1,174,030)	\$ (335,866)	\$ 429,931	\$ 1,253,918
<b>Other Financing Sources (Uses)</b>					
Transfers In	83,587	85,002	81,634	78,997	90,891
Transfers Out	(7,376)	(6,023)	(16,178)	(15,996)	(23,335)
Bonds Issued	189,250	39,535	265,665	27,215	268,105
Notes Issued	-	-	-	61,505	-
Refunding Bonds Issued	-	-	-	-	-
Bond Issue Premiums	18,398	5,276	39,067	10,023	23,381
Bond Issue Discounts	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-
Capital Leases and Certificates of Participation	365	-	440	-	-
Sale of Capital Assets	87,267	14,451	13,343	10,447	23,870
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 371,491</b>	<b>\$ 138,241</b>	<b>\$ 383,971</b>	<b>\$ 172,191</b>	<b>\$ 382,912</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 253,137</b>	<b>\$ (1,035,789)</b>	<b>\$ 48,105</b>	<b>\$ 602,122</b>	<b>\$ 1,636,830</b>
Fund Balances - Beginning of Year (as restated)	7,486,221	7,728,478	6,692,689	6,740,794	7,645,668
<b>Fund Balances - End of Year</b>	<b>\$ 7,739,358</b>	<b>\$ 6,692,689</b>	<b>\$ 6,740,794</b>	<b>\$ 7,342,916</b>	<b>\$ 9,282,498</b>
Debt Service as a Percentage of Noncapital Expenditures	2.9%	1.7%	1.6%	1.3%	1.2%

State of Oklahoma  
 Personal Income by Industry  
 Last Ten Years  
 (expressed in millions)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Total Personal Income</b>	\$ 132,144	\$ 133,149	\$ 142,862	\$ 154,958	\$ 161,188	\$ 167,292	\$ 178,250	\$ 179,238	\$ 170,791	\$ 182,302
Farm Earnings	110	955	881	1,253	1,128	1,303	2,043	1,390	949	672
Nonfarm Earnings	93,158	92,177	101,345	108,094	113,571	118,038	126,040	126,433	117,485	125,858
<b>Private Earnings</b>	<b>71,887</b>	<b>70,174</b>	<b>79,024</b>	<b>87,058</b>	<b>92,367</b>	<b>96,706</b>	<b>103,580</b>	<b>103,347</b>	<b>94,363</b>	<b>102,252</b>
Forestry, Fishing & Agriculture	199	193	273	244	268	357	229	255	275	273
Mining, Oil & Natural Gas Extraction	8,528	5,813	9,467	14,809	14,736	15,626	13,859	11,878	8,100	10,625
Utilities	1,473	1,407	1,468	1,537	1,573	2,044	1,637	1,648	1,526	1,502
Construction	4,383	4,861	5,390	6,381	7,296	7,509	7,767	7,964	7,348	7,612
Manufacturing - Durable	5,389	5,717	5,907	6,486	6,725	7,108	7,311	6,885	6,749	7,747
Manufacturing - Nondurable	5,476	3,240	3,675	3,500	3,839	3,915	3,147	3,255	3,014	3,969
Wholesale Trade	3,727	3,667	4,026	4,298	4,559	4,839	4,844	4,763	4,875	4,671
Retail Trade	5,810	6,414	6,749	7,080	7,329	7,603	7,253	7,450	7,147	7,107
Transportation and Warehousing	3,698	3,931	5,063	4,316	5,739	5,893	14,222	14,538	11,522	12,333
Services	33,204	34,931	37,006	38,407	40,303	41,812	43,311	44,711	43,807	46,413
<b>Government</b>	<b>21,271</b>	<b>22,003</b>	<b>22,321</b>	<b>21,036</b>	<b>21,204</b>	<b>21,332</b>	<b>22,460</b>	<b>23,086</b>	<b>23,122</b>	<b>23,606</b>
Federal, civilian	4,467	4,797	4,884	4,409	4,277	4,308	4,582	4,786	4,921	5,104
Military	3,024	3,261	3,240	2,438	2,355	2,216	2,171	2,195	2,228	2,320
State and Local	13,780	13,945	14,197	14,189	14,572	14,808	15,707	16,105	15,973	16,182
Highest Personal Income Tax Rate	5.50%	5.50%	5.50%	5.25%	5.25%	5.25%	5.25%	5.00%	5.00%	5.00%
Corporate Income Tax Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

Source: U. S. Department of Commerce, Bureau of Economic Analysis, and the Oklahoma Tax Commission.  
 Data is the latest available at time of printing.

State of Oklahoma  
 Personal Income Tax Filers and Liability by Adjusted Gross Income  
 Calendar (Tax) Years 2018 and 2009

Calendar Year 2018				
<u>Adjusted Gross Income Level</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$100,001 and higher	295,023	17%	\$2,005,562,657	61%
\$75,001 - \$100,000	144,558	8%	403,226,237	12%
\$50,001 - \$75,000	231,585	13%	429,757,692	13%
\$25,001 - \$50,000	428,557	25%	377,235,246	12%
\$10,001 - \$25,000	361,575	21%	65,822,922	2%
\$10,000 and lower	281,335	16%	557,526	0%
Total	1,742,633	100%	\$3,282,162,280	100%

Calendar Year 2009				
<u>Adjusted Gross Income Level</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$100,001 and higher	173,603	10%	\$1,165,427,567	48%
\$75,001 - \$100,000	116,189	7%	345,287,564	14%
\$50,001 - \$75,000	205,942	12%	411,603,382	17%
\$25,001 - \$50,000	416,357	25%	403,734,421	17%
\$10,001 - \$25,000	428,256	26%	99,194,490	4%
\$10,000 and lower	336,340	20%	2,197,971	0%
Total	1,676,687	100%	\$2,427,445,396	100%

Source: Oklahoma Tax Commission

State of Oklahoma  
 Tax Collections  
 Last Ten Fiscal Years

Taxes	2010	2011	2012	2013	2014
Aircraft Excise Tax	\$ 4,234,993	\$ 4,358,022	\$ 5,884,147	\$ 4,910,204	\$ 4,074,978
Alcoholic Beverage Excise Tax	21,905,099	22,777,383	23,614,156	25,553,610	26,372,098
Beverage Tax	25,303,290	24,934,826	24,979,667	24,653,353	23,896,702
Bingo Tax	140,859	136,038	132,086	127,801	105,890
Business Activity Tax	-	4,869,667	50,733,207	45,051,074	33,395,208
Charity Games Tax	54,607	20,623	28,177	42,535	34,835
Cigarette Tax	196,519,460	215,941,799	227,840,813	210,231,001	195,926,775
City Use Tax - Collect/Deposit	1,002,399	1,000,347	1,259,015	1,229,331	1,313,014
Coin Operated Device Decal	3,111,604	2,197,531	4,044,697	4,191,200	3,602,660
Controlled Dangerous Substance Tax	20,674	30,586	34,874	57,556	72,283
County Tax (Use & Lodging)	194,713	237,749	280,394	314,817	357,102
Diesel Fuel Excise Tax	71,963,557	69,230,643	77,027,777	73,785,574	80,309,870
Documentary Stamp Tax	11,090,994	10,981,645	11,991,469	15,282,903	15,763,766
Farm Implement Tax Stamps	6,397	8,033	8,328	10,818	11,611
Franchise Tax	46,714,746	32,647,715	758,202	540,824	1,126,420
Freight Car Tax	530,685	619,364	665,287	717,516	837,888
Fuels Excise Tax	-	49,665	-	-	-
Gaming Exclusivity Fees	118,624,111	123,560,707	124,300,610	129,286,255	123,376,190
Gasoline Excise Tax	208,545,441	197,712,177	206,179,731	203,403,445	202,091,479
Gross Production Tax - Oil and Gas	579,700,531	631,755,429	724,903,048	373,494,633	477,781,300
Horse Track Gaming	13,710,940	16,915,904	18,612,058	20,483,704	20,615,037
Income Tax (Individual)	2,230,787,128	2,385,413,131	2,723,887,073	2,844,880,206	2,835,207,273
Income Tax (Corporate)	212,866,850	330,905,421	412,808,773	594,181,209	408,109,649
Inheritance and Estate Tax	23,433,845	5,661,243	1,814,854	135,523	873,332
Insurance Premium Tax	141,255,690	170,627,316	199,620,667	213,675,180	223,090,507
Medical Marijuana Excise Tax	-	-	-	-	-
Mixed Beverage Gross Receipts Tax	32,494,306	35,344,321	39,241,847	43,357,002	46,127,916
Occupational Health and Safety Tax	2,757,188	2,672,792	3,027,902	2,681,651	2,597,953
Pari-Mutuel Taxes	1,265,853	1,117,663	1,272,843	1,287,912	1,168,333
Pari-Mutuel - Other Tax	28,721	11,155	7,633	9,352	6,961
Petroleum Excise Tax	11,045,779	13,077,225	14,309,381	12,450,983	16,135,417
Rural Electric Co-operative Tax	1,521,744	1,642,867	1,770,676	1,842,173	2,055,243
Sales Tax	1,806,049,515	1,982,182,368	2,165,311,137	2,275,444,163	2,335,326,717
Sales Tax - City	13,113,139	12,948,170	14,906,819	15,541,756	14,952,187
Sales Tax - County	2,715,907	2,853,587	3,304,647	3,374,051	3,328,337
Special Fuel Decal	355,578	503,848	396,838	460,204	450,950
Special Fuel Use Tax	1,498,427	1,522,816	1,539,054	1,421,676	1,485,281
Tag Agent Remittance Tax	247,546,872	307,579,624	348,562,103	330,838,092	388,643,946
Telephone Surcharge	837,385	796,832	722,113	719,897	634,760
Tobacco Products Tax	27,045,416	30,947,514	34,415,644	37,643,515	40,243,152
Tribal Compact in Lieu of Tax Payments	47,165,891	40,180,597	41,910,495	43,741,973	31,908,905
Unclaimed Property Assessment	11,418,562	9,424,634	12,083,796	10,575,619	10,235,907
Unclassified Tax Receipts	274,693	188,102	366,977	49,413	43
Use Tax	152,323,434	176,061,390	206,228,223	221,082,285	237,162,483
Vehicle Revenue Tax Stamps	37,247	40,797	43,650	51,598	47,408
Workers' Compensation Awards - Assessments	23,440,505	25,534,690	22,723,364	34,801,759	55,465,606
Workers' Compensation Insurance Premium Tax	7,452,455	8,802,817	8,693,887	9,949,807	10,210,365
Other Taxes	19,113,157	21,172,515	23,170,322	28,001,415	32,368,659
<b>Total</b>	<b>\$ 6,321,220,387</b>	<b>\$ 6,927,199,288</b>	<b>\$ 7,785,418,461</b>	<b>\$ 7,861,566,568</b>	<b>\$ 7,908,902,396</b>

Prepared using cash basis to aid in budgetary analysis.  
 Source: Oklahoma Tax Commission as adjusted.



Taxes	2015	2016	2017	2018	2019
Aircraft Excise Tax	\$ 3,243,398	\$ 4,828,624	\$ 5,391,211	\$ 4,053,797	\$ 3,829,965
Alcoholic Beverage Excise Tax	26,987,301	26,646,189	28,106,231	28,556,548	36,983,470
Beverage Tax	23,283,684	22,887,790	22,331,800	21,877,356	9,072,758
Bingo Tax	80,475	61,400	29,185	101,233	66,773
Business Activity Tax	816,420	107,215	33,469	20,356	5,816
Charity Games Tax	37,195	18,534	13,514	17,394	10,673
Cigarette Tax	197,553,535	198,606,624	185,771,745	197,801,584	246,346,627
City Use Tax - Collect/Deposit	1,356,836	658,449	694,396	899,474	1,185,318
Coin Operated Device Decal	3,794,511	3,719,626	3,585,473	3,557,522	3,384,094
Controlled Dangerous Substance Tax	63,393	55,753	42,755	45,251	52,406
County Tax (Use & Lodging)	372,177	181,421	161,073	178,659	254,255
Diesel Fuel Excise Tax	79,234,208	68,837,914	80,680,616	83,928,077	128,861,400
Documentary Stamp Tax	18,191,408	18,008,889	19,078,660	21,022,186	21,555,093
Farm Implement Tax Stamps	11,697	10,666	7,886	8,177	9,225
Franchise Tax	56,540,151	56,198,494	52,175,517	59,063,475	57,322,320
Freight Car Tax	826,793	850,181	797,132	1,016,667	1,081,051
Fuels Excise Tax	-	-	-	-	-
Gaming Exclusivity Fees	128,443,759	134,390,332	135,437,136	139,811,191	148,309,097
Gasoline Excise Tax	207,370,800	214,758,884	204,215,392	213,150,162	263,009,336
Gross Production Tax - Oil and Gas	401,619,064	196,635,110	270,569,184	480,533,689	858,159,342
Horse Track Gaming	20,592,150	20,890,153	20,738,589	25,459,166	28,358,978
Income Tax (Individual)	3,152,729,993	2,941,832,022	2,881,519,924	3,207,252,928	3,497,148,830
Income Tax (Corporate)	375,873,186	371,445,751	167,149,379	233,637,308	316,809,235
Inheritance and Estate Tax	1,056,925	126,278	256,834	176,713	-
Insurance Premium Tax	244,415,684	257,217,612	243,245,651	280,967,940	271,859,078
Medical Marijuana Excise Tax	-	-	-	-	4,648,134
Mixed Beverage Gross Receipts Tax	50,193,262	52,872,099	54,204,358	57,325,035	71,952,273
Occupational Health and Safety Tax	2,171,916	2,280,573	1,615,273	1,590,164	1,336,057
Pari-Mutuel Taxes	1,163,885	1,068,502	1,085,121	1,105,126	1,030,908
Pari-Mutuel - Other Tax	6,028	24,116	8,318	10,119	8,654
Petroleum Excise Tax	14,152,206	8,148,238	11,897,143	15,825,493	19,884,698
Rural Electric Co-operative Tax	2,214,029	2,031,514	2,048,871	2,163,108	2,321,431
Sales Tax	2,424,380,716	2,268,723,336	2,192,792,253	2,511,931,524	2,667,670,936
Sales Tax - City	16,725,211	8,964,736	8,283,457	8,903,019	9,347,469
Sales Tax - County	3,800,593	1,919,312	1,632,995	1,602,075	1,696,214
Special Fuel Decal	351,812	159,254	930,292	760,693	1,763,447
Special Fuel Use Tax	1,534,694	1,541,979	1,068,339	1,175,495	1,547,063
Tag Agent Remittance Tax	376,730,773	385,676,774	391,613,483	404,913,340	415,230,477
Telephone Surcharge	570,979	493,779	403,749	288,787	565,043
Tobacco Products Tax	44,462,393	47,592,850	50,725,702	52,835,101	56,054,853
Tribal Compact in Lieu of Tax Payments	27,372,341	28,901,523	30,894,381	38,587,904	56,755,231
Unclaimed Property Assessment	9,433,401	10,200,000	11,033,333	9,366,667	9,366,667
Unclassified Tax Receipts	436,149	209,126	5,884	46,065	522,069
Use Tax	240,423,735	208,492,766	219,582,282	276,137,946	375,238,267
Vehicle Revenue Tax Stamps	46,974	47,338	45,594	46,494	47,278
Workers' Compensation Awards - Assessments	63,469,440	57,157,971	48,609,051	49,240,983	47,490,599
Workers' Compensation Insurance Premium Tax	9,789,096	9,129,743	6,500,000	6,500,000	6,000,000
Other Taxes	37,118,891	33,803,335	35,231,845	35,434,656	39,398,595
<b>Total</b>	<b>\$ 8,271,043,267</b>	<b>\$ 7,668,412,775</b>	<b>\$ 7,392,244,476</b>	<b>\$ 8,478,926,647</b>	<b>\$ 9,683,551,503</b>

State of Oklahoma  
 Percentage of Annual Debt Service Expenditures  
 for General Bonded Debt to Total Expenditures  
 Governmental Funds  
 For Last Ten Fiscal Years  
 (expressed in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Service										
Principal Retirement	\$ 111,816	\$ 118,163	\$ 98,831	\$ 221,187	\$ 361,488	\$ 408,643	\$ 191,272	\$ 179,384	\$ 140,272	\$ 157,460
Interest and Fiscal Charges	70,549	72,074	95,097	112,030	71,269	60,833	76,228	72,994	59,145	53,036
<b>Total Debt Service</b>	<b>\$ 182,365</b>	<b>\$ 190,237</b>	<b>\$ 193,928</b>	<b>\$ 333,217</b>	<b>\$ 432,757</b>	<b>\$ 469,476</b>	<b>\$ 267,500</b>	<b>\$ 252,378</b>	<b>\$ 199,417</b>	<b>\$ 210,496</b>
<b>Total Expenditures</b>	<b>\$ 14,983,207</b>	<b>\$ 15,093,709</b>	<b>\$ 15,400,602</b>	<b>\$ 15,936,797</b>	<b>\$ 16,620,964</b>	<b>\$ 15,936,529</b>	<b>\$ 16,189,405</b>	<b>\$ 15,935,848</b>	<b>\$ 15,869,186</b>	<b>\$ 17,129,644</b>
<b>Ratio</b>	1.217%	1.260%	1.259%	2.091%	2.604%	2.946%	1.652%	1.584%	1.257%	1.229%

State of Oklahoma  
 Ratios of Outstanding Debt by Type  
 Primary Government  
 Last Ten Fiscal Years  
 (expressed in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental Activities Debt:</b>										
General Obligation Bonds	\$ 188,030	\$ 175,645	\$ 175,645	\$ 136,585	\$ 131,955	\$ 107,395	\$ 82,100	\$ 55,875	\$ 28,530	\$ -
General Obligation Bonds as a Percentage of General Revenue <sup>a</sup>	2.81%	2.26%	2.03%	1.59%	1.49%	1.21%	0.97%	0.67%	0.30%	-
Per Capita (actual-not in thousands) <sup>b</sup>	\$ 50	\$ 46	\$ 46	\$ 36	\$ 34	\$ 28	\$ 21	\$ 14	\$ 7	\$ -
Revenue bonds	1,173,025	1,428,820	1,424,555	1,353,449	1,255,988	1,283,082	1,157,304	1,311,850	1,233,266	1,391,031
Notes Payable	246,623	229,929	212,592	194,560	173,985	47,245	30,520	16,575	69,995	61,505
Capital Leases	12,553	12,719	8,710	10,712	8,271	6,526	4,202	2,740	1,362	544
Total Governmental Activities	\$ 1,620,231	\$ 1,847,113	\$ 1,821,502	\$ 1,695,306	\$ 1,570,199	\$ 1,444,248	\$ 1,274,126	\$ 1,387,040	\$ 1,333,153	\$ 1,453,080
<b>Business-Type Activities Debt:</b>										
Revenue Bonds	\$ 599,984	\$ 759,493	\$ 832,597	\$ 931,413	\$ 801,159	\$ 778,800	\$ 867,324	\$ 854,028	\$ 904,908	\$ 1,002,415
Total Business-Type Activities	\$ 599,984	\$ 759,493	\$ 832,597	\$ 931,413	\$ 801,159	\$ 778,800	\$ 867,324	\$ 854,028	\$ 904,908	\$ 1,002,415
Total Primary Government	\$ 2,220,215	\$ 2,606,606	\$ 2,654,099	\$ 2,626,719	\$ 2,371,358	\$ 2,223,048	\$ 2,141,450	\$ 2,241,068	\$ 2,238,061	\$ 2,455,495
Total Primary Government Debt as a Percentage of Personal Income <sup>c</sup>	1.66%	1.92%	1.84%	1.68%	1.46%	1.32%	1.20%	1.34%	1.31%	1.35%
Per Capita (actual-not in thousands) <sup>b</sup>	\$ 595	\$ 679	\$ 694	\$ 684	\$ 618	\$ 569	\$ 543	\$ 569	\$ 568	\$ 621

<sup>a</sup> General Revenue values can be found in the Changes in Net Position statistics schedule.

<sup>b</sup> Population data can be found in the Demographic and Economic Statistics schedule. The amount for the current year is estimated. Population data for the current year was unavailable at printing.

<sup>c</sup> Debt by Type information can be found in the notes to the financial statements. The percentage for the current year is estimated. Current year personal income data was unavailable at printing.

State of Oklahoma  
Revenue Bond Coverage  
Enterprise Fund and Component Units  
For the Last Ten Fiscal Years  
(expressed in thousands)

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
<b>COMPONENT UNITS:</b>						
<b>Oklahoma Student Loan Authority</b>	2019	\$ 21,509	\$ 12,486	\$ 9,023	\$ 5,110	1.77
(June 30 year end)	2018	19,324	12,961	6,363	4,932	1.29
	2017	14,981	10,734	4,247	4,181	1.02
	2016	12,890	9,488	3,402	4,010	0.85
	2015	12,614	9,552	3,062	4,323	0.71
	2014	14,229	9,720	4,509	5,251	0.86
	2013	19,195	9,319	9,876	7,002	1.41
	2012	16,201	2,134	14,067	6,823	2.06
	2011	19,831	(296)	20,127	7,734	2.60
	2010	19,858	(1,993)	21,851	42,601	0.51
<b>Oklahoma Housing Finance Agency</b>	2018	\$ 13,765	\$ 12,164	\$ 1,601	\$ 11,423	0.14
(September 30 year end)	2017	16,080	12,149	3,931	14,160	0.28
	2016	31,793	11,914	19,879	18,524	1.07
	2015	35,347	12,395	22,952	25,043	0.92
	2014	39,286	15,461	23,825	41,461	0.57
	2013	18,003	19,773	(1,770)	115,088	-0.02
	2012	47,532	14,855	32,678	88,459	0.37
	2011	63,923	14,131	49,792	69,559	0.72
	2010	64,490	15,346	49,144	44,125	1.11
	2009	83,223	14,233	68,990	104,808	0.66
<b>Oklahoma Turnpike Authority</b>	2018	\$ 343,609	\$ 105,857	\$ 237,752	\$ 96,111	2.47
(December 31 year end)	2017	318,082	101,888	216,194	90,346	2.39
	2016	278,200	93,972	184,228	93,246	1.98
	2015	263,317	85,532	177,785	94,634	1.88
	2014	257,863	82,048	175,815	108,314	1.62
	2013	242,226	81,593	160,633	91,893	1.75
	2012	241,379	86,706	154,674	101,570	1.52
	2011	235,369	87,918	147,451	99,141	1.49
	2010	237,047	72,396	164,651	100,389	1.64
	2009	217,158	70,915	146,243	99,555	1.47
<b>Grand River Dam Authority</b>	2018	\$ 441,177	\$ 290,887	\$ 150,290	\$ 64,871	2.32
(December 31 year end)	2017	445,125	322,537	122,588	75,601	1.62
	2016	441,662	300,547	141,115	74,787	1.89
	2015	425,083	229,863	195,220	75,542	2.58
	2014	485,012	307,941	177,071	79,109	2.24
	2013	432,799	251,386	181,413	134,919	1.34
	2012	423,614	272,188	151,425	135,799	1.12
	2011	418,551	254,480	164,071	136,623	1.20
	2010	398,415	196,671	201,744	142,448	1.42
	2009	340,341	214,758	125,583	124,702	1.01
<b>Oklahoma Municipal Power Authority</b>	2018	\$ 192,733	\$ 136,649	\$ 56,084	\$ 51,832	1.08
(December 31 year end)	2017	188,903	132,271	56,632	52,010	1.09
	2016	186,775	131,533	55,242	50,392	1.10
	2015	185,981	132,151	53,830	45,125	1.19
	2014	192,273	136,025	56,248	49,563	1.13
	2013	179,321	135,198	44,123	39,685	1.11
	2012	175,506	124,308	51,198	43,857	1.17
	2011	175,983	126,187	49,796	44,848	1.11
	2010	163,991	117,610	46,381	40,299	1.15
	2009	153,534	113,568	39,966	35,494	1.13

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
<b>Higher Education</b>						
(June 30 year end)	2019	\$ 5,336,055	\$ 4,445,789	\$ 890,266	\$ 164,939	5.40
	2018	5,195,741	4,480,202	715,539	183,513	3.90
	2017	5,138,290	4,432,737	705,553	251,231	2.81
	2016	4,762,338	4,308,023	454,315	291,597	1.56
	2015	4,843,892	4,122,226	721,666	113,085	6.38
	2014	5,015,949	4,107,758	908,191	274,979	3.30
	2013	5,953,195	3,944,790	2,008,405	147,220	13.64
	2012	5,389,947	3,932,409	1,457,538	148,780	9.80
	2011	4,722,834	3,562,033	1,160,801	207,268	5.60
	2010	4,177,035	3,670,063	506,972	303,612	1.67
<b>ENTERPRISE FUND:</b>						
<b>Oklahoma Water Resources Board</b>	2019	\$ 25,754	\$ 781	\$ 24,973	\$ 39,446	0.63
(June 30 year end)	2018	21,604	641	20,963	56,558	0.37
	2017	20,714	645	20,069	76,004	0.26
	2016	22,601	1,460	21,141	40,318	0.52
	2015	20,918	766	20,152	42,672	0.47
	2014	20,600	1,287	19,313	50,395	0.38
	2013	20,128	1,427	18,701	56,376	0.33
	2012	17,580	1,036	16,544	40,532	0.41
	2011	14,705	1,529	13,176	34,638	0.38
	2010	12,885	1,126	11,759	34,162	0.34

(1) Gross revenues including interest and investment income, but excluding revenues restricted to other debt.

(2) Operating expenses, exclusive of depreciation and operating interest (where applicable)

- Revenue bond coverage is not intended to portray compliance with bond indenture agreements.

- Debt service requirements do not include one time debt service payments from refunding bonds.

State of Oklahoma  
 Major Employers by Size  
 Non-Government  
 For years 2009 and 2018

Non-Governmental Major Employers 2009	Non-Governmental Major Employers 2018	Employment 2018	Percentage of Total State Employment 2018
Wal-Mart Stores, Inc.	Wal-Mart Associates Inc.	33,500	1.88%
Integrus Health	Integrus Health, Inc.	8,500	0.48%
AMR Corp.	Chickasaw Nation	7,000	0.39%
YUM! Brands	Hobby Lobby Stores Inc.	5,500	0.31%
Chickasaw Nation	Mercy Health	6,000	0.34%
Saint Francis Hospital Inc.	Choctaw Nation of Oklahoma	5,500	0.31%
St. John's Medical Center Inc.	Saint Francis Hospital Inc.	5,500	0.31%
Choctaw Nation of Oklahoma	Braum's Inc.	5,500	0.31%
ConocoPhillips	American Airlines	5,000	0.28%
W. H. Braum, Inc.	Lowe's Home Centers Inc.	4,500	0.25%

*Source: Oklahoma Department of Commerce*

*Note: The information above is compiled by the Department of Commerce and is the latest available at the date of publication.*

State of Oklahoma  
Demographic and Economic Statistics  
Last Ten Fiscal Years

Year	Population <sup>a</sup> (in thousands)				Personal Income <sup>a</sup>	Per Capita Personal Income <sup>a</sup>			Civilian Labor Force <sup>b</sup>		
	U. S.	Change from Prior Period	State of Oklahoma	Change from Prior Period	(in millions) State of Oklahoma	U. S.	State of Oklahoma	Oklahoma as a Percentage of U.S.	Employed	Unemployed	Unemployment Rate
2009	307,007	0.97%	3,687	1.24%	\$ 132,144	\$ 39,626	\$ 35,840	90.45%	1,660,000	114,000	6.4%
2010	309,350	0.76%	3,762	2.03%	133,149	39,945	35,396	88.61%	1,631,000	124,000	7.1%
2011	311,592	0.72%	3,792	0.80%	142,862	41,560	37,679	90.66%	1,662,000	109,000	6.2%
2012	313,914	0.75%	3,815	0.61%	154,958	43,735	40,620	92.88%	1,709,000	94,000	5.2%
2013	316,129	0.71%	3,851	0.94%	161,188	44,765	41,861	93.51%	1,718,000	99,000	5.4%
2014	318,857	0.86%	3,878	0.70%	167,292	46,129	43,138	93.52%	1,704,000	80,000	4.5%
2015	321,419	0.80%	3,911	0.85%	178,250	48,112	45,573	94.72%	1,764,000	78,000	4.2%
2016	323,128	0.53%	3,924	0.33%	167,503	49,246	42,692	86.69%	1,739,000	89,000	4.9%
2017	325,719	0.80%	3,931	0.18%	170,791	50,392	43,449	86.22%	1,756,000	79,000	4.3%
2018	327,167	0.44%	3,943	0.31%	182,302	54,446	46,233	84.92%	1,779,000	63,000	3.4%

<sup>a</sup> source U.S. Bureau of Economic Analysis as adjusted.

<sup>b</sup> source Oklahoma Employment Security Commission.

*Note: The information above is the latest available at the date of publication.*

# State of Oklahoma

## School Enrollments

### Last Ten Fiscal Years

<u>Public School Enrollments:</u>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Early Childhood	37,726	39,784	40,688	37,929	40,121	40,129	39,474	36,377	36,679	36,790
Kindergarten	50,497	51,037	52,114	52,339	54,649	55,127	53,453	49,620	49,334	50,039
Elementary School	242,668	246,305	248,398	252,235	266,499	257,154	248,631	251,280	249,922	247,719
Junior High/Middle School	135,889	138,626	140,964	130,505	141,539	123,812	142,131	140,895	141,909	145,575
Senior High School	176,679	177,366	175,949	173,193	154,144	184,074	187,031	188,966	190,312	192,690
No-High School Districts (Grades 1-8)	24,090	23,938	23,596	23,549	17,215	24,151	18,179	22,637	22,644	21,652
Special Education (Early Childhood)	1,649	1,684	1,798	1,535	1,542	2,070	2,169	2,274	2,418	2,646
Out-of-Home Placements	1,806	1,720	1,915	1,905	1,616	1,783	1,602	1,661	1,598	1,475
Total	<u>671,004</u>	<u>680,460</u>	<u>685,422</u>	<u>673,190</u>	<u>677,325</u>	<u>688,300</u>	<u>692,670</u>	<u>693,710</u>	<u>694,816</u>	<u>698,586</u>
<u>Higher Education:</u>										
Public Institutions	250,673	255,503	256,213	251,096	236,865	228,768	225,858	221,207	216,191	210,090
Private Institutions	21,945	25,856	26,830	27,708	26,175	17,997	17,494	17,837	16,909	15,762
Total	<u>272,618</u>	<u>281,359</u>	<u>283,043</u>	<u>278,804</u>	<u>263,040</u>	<u>246,765</u>	<u>243,352</u>	<u>239,044</u>	<u>233,100</u>	<u>225,852</u>
<u>Career-Technology Education:</u>										
Secondary *	154,492	148,831	148,831	151,720	149,501	152,227	150,958	156,673	159,686	156,737
Adult	<u>345,016</u>	<u>354,949</u>	<u>354,949</u>	<u>376,783</u>	<u>372,687</u>	<u>394,650</u>	<u>366,538</u>	<u>354,839</u>	<u>363,222</u>	<u>401,432</u>
Total	<u>499,508</u>	<u>503,780</u>	<u>503,780</u>	<u>528,503</u>	<u>522,188</u>	<u>546,877</u>	<u>517,496</u>	<u>511,512</u>	<u>522,908</u>	<u>558,169</u>

\* These students may also be included in public school enrollments above.

Sources: Department of Education, Regents for Higher Education, and Department of Career and Technology Education

State of Oklahoma  
 Government Employees by Function  
 Last Ten Fiscal Years  
 (excluding higher education)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Function:</b>										
Education	963	864	832	836	817	782	767	740	768	724
Government Administration	2,324	2,036	2,275	2,828	2,829	2,633	2,624	2,529	2,508	2,382
Health Services	4,550	4,403	4,254	4,337	4,434	4,519	4,497	4,429	3,873	5,642
Legal and Judiciary	2,316	2,216	2,276	2,275	2,220	2,255	2,216	2,135	2,086	2,155
Museums	158	151	149	151	145	140	129	112	116	118
Natural Resources	2,418	2,356	2,292	2,266	2,254	2,360	2,325	2,329	2,291	1,767
Public Safety and Defense	6,857	6,428	6,311	6,320	6,367	6,338	6,409	6,564	6,586	6,594
Regulatory Services	1,328	1,291	1,280	1,289	1,302	1,023	1,030	1,087	1,126	1,067
Social Services	12,027	11,674	11,033	10,960	11,268	11,518	10,911	10,109	9,475	7,771
Transportation	3,019	2,960	2,893	2,865	2,906	2,868	2,912	2,840	2,886	2,376
<b>Total</b>	<b>35,960</b>	<b>34,379</b>	<b>33,595</b>	<b>34,127</b>	<b>34,542</b>	<b>34,436</b>	<b>33,820</b>	<b>32,874</b>	<b>31,715</b>	<b>30,596</b>

Source: The Human Capital Management division of the Office of Management and Enterprise Services.

State of Oklahoma  
 Capital Assets Utilization by Function  
 Primary Government  
 Last Ten Fiscal Years  
 (net of depreciation, expressed in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental activities:</b>										
Education	\$ 24,064	\$ 28,402	\$ 29,906	\$ 29,628	\$ 33,274	\$ 32,602	\$ 33,110	\$ 32,936	\$ 32,736	\$ 33,017
Government Administration	220,891	235,887	289,578	291,033	289,411	286,592	276,274	250,684	238,202	142,663
Health Services	149,604	146,835	162,355	157,101	151,996	151,408	157,047	166,329	167,742	165,904
Legal and Judiciary	387	310	349	1,066	824	529	1,168	818	526	2,376
Museums	11,156	12,662	12,505	13,169	13,920	12,942	13,894	13,754	13,614	13,548
Natural Resources	160,253	180,892	193,947	200,208	218,155	233,997	251,259	270,754	271,772	290,751
Public Safety and Defense	460,894	502,434	524,859	529,224	522,170	507,035	444,173	429,586	424,454	428,682
Regulatory Services	1,532	1,173	904	859	726	947	804	676	496	5,852
Social Services	122,358	118,942	115,417	104,439	86,288	87,785	85,479	77,556	88,957	99,458
Transportation	8,139,553	8,730,234	9,159,061	9,433,515	9,692,860	9,957,686	10,335,267	10,690,785	10,974,397	11,236,685
Governmental activities, net	\$ 9,290,692	\$ 9,957,771	\$ 10,488,881	\$ 10,760,242	\$ 11,009,624	\$ 11,271,523	\$ 11,598,475	\$ 11,933,878	\$ 12,212,896	\$ 12,418,936
<b>Business-type activities, net</b>	<b>\$ 330</b>	<b>\$ 202</b>	<b>\$ 126</b>	<b>\$ 1,037</b>	<b>\$ 1,415</b>	<b>\$ 1,914</b>	<b>\$ 2,856</b>	<b>\$ 2,477</b>	<b>\$ 2,085</b>	<b>\$ 1,543</b>



# State of Oklahoma

## Operating Indicators for Governmental Functions

### Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Government Administration</b>										
Office of Management and Enterprise Services										
Number of motor vehicles maintained	1,267	1,203	1,217	1,168	1,104	1,093	1,076	1,050	1,007	1,007
Number of buildings managed	18	18	19	20	20	28	28	28	28	28
<b>Health Services</b>										
Department of Health										
Protective services:										
Retail food establishment inspections	24,369	23,368	45,874	43,083	44,939	45,417	47,457	45,887	47,414	35,878
Food inspections	48,036	44,878	46,662	43,671	47,831	48,417	48,913	47,238	48,602	56,750
Long-Term Care:										
Facility licensing, inspections and complaints	2,120	1,912	4,078	2,223	2,492	2,275	2,901	2,231	2,227	2,266
Residents (approximate)	19,623	21,202	18,512	19,340	19,006	18,987	18,880	18,722	18,135	19,754
Mental Health and Substance Abuse Department										
Number of clients:										
Mental Health	54,804	56,478	65,356	65,314	* 166,181	167,464	172,096	175,823	177,882	182,583
Substance Abuse	20,981	18,881	19,351	18,208	37,292	39,747	39,257	37,709	32,847	33,413
Hospitals - Inpatient Care	3	3	3	3	3	2	2	2	2	2
<b>Legal and Judiciary</b>										
Oklahoma Indigent Defense system										
Provides legal representation for indigent citizens charged with committing criminal acts.										
Represented - Total Court Appointments	43,883	41,965	43,712	43,980	48,401	49,723	58,025	60,747	61,115	64,897
Included above: Non-capital trial cases	32,000	33,000	35,000	43,167	47,543	48,964	57,318	59,986	60,317	64,133
Capital trial cases	105	112	98	67	53	50	44	58	56	37
General appeals cases	558	609	540	595	648	565	663	703	742	727
Average cost: Non-capital case (Staff Attorney)	\$279	\$380	\$368	\$361	\$346	\$304	\$334	\$333	\$474	\$499
Capital case (Staff Attorney)	\$28,423	\$21,196	\$21,551	\$25,955	\$36,710	\$37,075	\$40,252	\$48,385	\$41,224	\$61,864
<b>Museums</b>										
J. M. Davis Memorial										
Museum - 40,000 sq. ft.										
Number of artifacts (approximate)	48,012	48,012	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Visitors per year (approximate)	22,000	22,000	35,000	30,000	30,000	28,000	30,000	30,000	30,000	30,000
Oklahoma Historical Society										
Center - 18 acres; 215,000 sq. ft.; 7 Galleries; 6 acres outdoor exhibits										
Number of artifacts (on exhibit, approximate)	>2,000	>2,000	>2,000	>2,000	>2,000	>2,000	>2,000	>2,000	2,500	2,500
Visitors and researchers per year (approximate)	244,000	185,491	254,634	214,723	183,251	183,000	182,000	185,000	199,000	196,000
Will Rogers Memorial										
Museum - 26,631 sq.ft., 28 acres - 12 Galleries, Theater and Children's Museum; Library - 1,518 sq. ft.; Birthplace - 161 acres										
Archives - number of documents, photographs	18,000	18,000	18,000	18,000	18,000	18,000	36,000	30,000	30,000	30,000
Visitors and researchers per year (approximate)	117,000	120,000	133,000	32,000	29,000	31,000	26,000	40,000	40,000	40,000
<b>Natural Resources</b>										
Wildlife Conservation										
Number of Anglers in State (last census)	697,000	697,000	729,000	729,000	729,000	729,000	729,000	729,000	729,000	508,000 ^
Number of Hunters (last census)	445,000	445,000	244,000	244,000	244,000	244,000	244,000	244,000	244,000	149,000 ^
Number of Wildlife Watchers (last census)	1,110,000	1,110,000	1,263,000	1,263,000	1,263,000	1,263,000	1,263,000	1,263,000	1,263,000	1,703,000 ^

\* 2014 increase due to ODMHSAS becoming responsible for Medicaid outpatient behavioral health.

^ Reporting source changed participation from state to regional in 2019; state reporting extrapolated from regional statistics

Source: State and federal agency reports. Data above is the latest available at the date of publication.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Public Safety and Defense</b>										
Department of Public Safety										
Driver's Licenses Issued	744,878	690,131	694,557	741,938	835,807	727,169	726,740	758,277	773,495	743,173
Citations Processed	227,426	162,748	158,914	182,073	198,518	200,826	213,616	205,905	162,542	171,885
Collision Reports Processed	79,354	74,714	73,462	68,406	82,067	74,267	72,537	83,320	79,615	77,254
Department of Corrections										
Capacity (Number of Beds)	25,455	25,364	25,469	25,846	26,473	27,256	27,064	27,399	26,863	25,770
Prison Population	24,870	24,384	24,526	25,159	26,874	27,889	27,987	26,710	27,010	26,821
As a percentage of capacity	97.7%	96.1%	96.3%	97.3%	101.5%	102.3%	103.4%	97.5%	100.5%	104.1%
Cost to house an inmate:										
Per diem cost/day - Maximum Security	\$75.97	\$75.85	\$78.50	\$87.01	\$100.80	\$87.20	\$84.01	\$94.13	# \$98.19	# \$91.41
Per diem cost/day - Medium Security	\$42.41	\$38.98	\$38.94	\$40.17	\$47.47	\$42.83	\$45.46	\$45.73	# \$46.73	# \$48.63
<b>Regulatory Services</b>										
Oklahoma Corporation Commission										
Number of regulated utilities	511	484	421	418	420	411	410	359	361	365
Hearings and administrative proceedings	29,981	30,504	31,805	40,052	40,594	43,642	44,269	46,463	56,740	73,510
Motor carrier vehicles registered (power units)	121,874	132,927	135,230	139,569	152,280	157,188	156,722	178,913	143,774	145,406
Oil and gas wells plugged (operator plugged)	1,582	2,926	1,948	1,319	1,485	1,226	2,403	1,072	1,253	574
Oil and gas wells plugged (abandoned, plugged by OCC)				167	206	176	132	44	119	138
Motor Fuel Facilities inspected	5,490	4,341	4,326	5,760	6,011	4,371	4,384	4,923	4,912	4,655
Retail fuel dispenser (pump) inspections	97,326	77,444	70,649	75,939	80,397	80,742	83,649	73,169	74,072	73,694
<b>Social Services</b>										
Department of Human Services										
Adoption subsidies (end of fiscal year)	11,924	12,384	13,114	13,706	14,123	15,333	16,611	18,417	19,337	20,208
Adult protective svcs (state fiscal year)	18,615	17,135	16,012	15,223	15,010	14,807	9,821	8,499	5,932	4,306
Child care services provided (monthly average)	39,060	39,017	36,444	34,722	33,322	32,336	31,713	44,942	43,642	49,950
Licensed facilities (monthly average)	4,561	4,376	4,213	3,960	3,825	3,558	3,438	3,317	3,185	3,038
Licensed capacity (monthly average)	136,534	136,816	135,585	132,625	131,150	126,123	124,200	122,253	120,930	117,031
Child protective services-Substantiated (state fiscal year)	7,248	8,110	9,842	11,418	14,172	15,252	15,187	15,289	15,951	15,809
Child support enforcement (cases-quarterly average)	193,000	198,390	202,743	203,209	206,746	207,677	206,701	201,459	194,836	189,917
Developmental Disabilities Persons Served (end of fiscal year)	14,352	14,602	9,894	9,772	9,777	9,693	8,905	8,186	7,845	7,770
Elderly support services (meals/state fiscal year)	6,176,989	6,098,275	6,265,779	6,105,823	6,056,081	6,324,185	6,630,634	6,570,061	6,256,572	5,338,165
Food stamps (unduplicated count/state fiscal year)	559,626	609,723	891,555	889,137	615,412	867,968	874,873	850,855	825,583	804,641
Foster care children (end of fiscal year)	7,973	8,502	9,132	10,233	11,483	10,942	9,984	9,923	9,277	8,631
Oklahoma Employment Security Commission										
Initial unemployment claims	218,918	183,849	155,885	124,170	108,758	105,258	109,028	90,007	73,761	90,668
Unemployment insurance paid	\$499,636,015	\$340,695,628	\$271,279,698	\$263,654,340	\$247,148,751	\$270,419,798	\$386,312,966	\$316,957,075	\$234,472,327	\$209,214,801
<b>Transportation</b>										
Oklahoma Department of Transportation										
State Highway System (miles)	12,266	12,882	12,882	12,882	12,882	12,265	12,265	12,265	12,265	12,265
Bridges on the State Highway System	6,728	6,800	6,800	6,800	6,800	6,828	6,828	6,828	6,828	6,828
System usage growth next 20 years (est.)										
Automobiles	33%	65%	65%	65%	65%	65%	65%	26%	26%	27%
Trucks	70%	65%	65%	65%	65%	65%	65%	52%	52%	30%
Freight railroads operating in Oklahoma										
Passenger railroad	1	1	1	1	1	1	1	1	1	1
Rail passengers (average per year)	54,000	81,000	81,000	81,000	81,000	82,000	82,000	82,000	82,000	82,000
Railroad track (miles)	3,234	3,746	3,746	3,746	3,746	3,740	3,740	3,740	3,740	3,740
Public Waterway Ports	2	2	2	2	2	2	2	2	2	2

# Dept. of Corrections -estimated cost for current fiscal year. Actual costs are updated in the following year.

# State of Oklahoma

## Additional Information and Sources of Statistical Data

Fiscal Year 2019

### **Additional Information:**

The population of Oklahoma has steadily increased since 2009, averaging 0.8% per year.

At the end of December 2018, the United States (U. S.) Bureau of Labor Statistics reported the state's unemployment rate was 3.2% compared to the national rate of 3.9%.

Oklahoma's total personal income rate has increased at an average of 3.4% annually since 2009. During the same period, Oklahoma's personal income per capita increased annually by an average of 2.6% compared to 3.1% nationally.

As a result, annual total tax collections since 2010 have increased by \$3,362,331,000 or 53.1%.

Please refer to the preceding Statistical Section tables, Management's Discussion and Analysis, the Financial Statements and Notes for more details and analysis.

### **Sources of Statistical Data:**

Data provided in the statistical section of the CAFR is the latest available at the time of publication.

Primary sources of statistical data provided in the Statistical Section of the CAFR include:

- Oklahoma Department of Commerce
- Oklahoma Department of Labor
- Oklahoma Employment Security Commission
- Oklahoma Tax Commission
- Oklahoma Department of Education
- Oklahoma Regents for Higher Education
- Oklahoma Department of Career and Technology
- Oklahoma Office of Management and Enterprise Services
- U. S. Bureau of Labor Statistics
- U. S. Census Bureau
- U. S. Department of Commerce
- U. S. Bureau of Economic Analysis

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State Agency Finance Officers and Teams

# OKLAHOMA

## GENERAL INFORMATION

ADMITTED TO UNION (46TH STATE)	1907
CAPITAL	Oklahoma City
2018 POPULATION	3,943,079
POPULATION PER SQUARE MILE	57.5
COUNTIES	77

## STATE SYMBOLS

NICKNAME	The Sooner State
MOTTO	Labor Omnia Vincit (Work Conquers All Things)
SONG	<i>"OKLAHOMA!"</i> (Music by Richard Rogers, Lyrics by Oscar Hammerstein II)
ANIMAL	American Buffalo (Bison)
BIRD	Scissor-Tailed Flycatcher
FISH	White Bass
INSECT	Honeybee
FRUIT	Strawberry
WILDFLOWER	Indian Blanket
FLORAL EMBLEM	Mistletoe
TREE	Redbud
MUSICAL INSTRUMENT	Fiddle
FOLK DANCE	Square Dance

## AREA

TOTAL AREA	69,996 Square Miles
LAND AREA	68,595 Square Miles
WATER AREA	1,401 Square Miles

## RECREATION

NUMBER OF STATE PARKS	33
NUMBER OF STATE TRAILS	102
NUMBER OF LAKES	>200



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