

CARES Act - GEER Funds Targeted Monitoring Report:

Executive Office of the State of Oklahoma

U.S. Department of Education
Office of Elementary and Secondary Education
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Table of Contents

GENERAL INFORMATION 3

SECTION I 5

 OVERVIEW OF OKLAHOMA TARGETED MONITORING REVIEW 5

 SUMMARY OF OESE PROCESS AND SELECTION OF OKLAHOMA GOVERNOR’S OFFICE 6

SECTION II 8

 SUMMARY STATUS OF CARES ACT IMPLEMENTATION 8

SECTION III 9

 CASH MANAGEMENT AND PAYMENT SYSTEMS 9

SECTION IV 14

 ACCOUNTING SYSTEMS AND FISCAL MANAGEMENT 14

SECTION V 17

 INTERNAL CONTROLS 17

SECTION VI 24

 SUBRECIPIENT MONITORING 24

GENERAL INFORMATION

OVERVIEW OF THE CARES ACT TARGETED MONITORING

The Office of Elementary and Secondary Education (OESE) is committed to supporting States as they implement Federal grant programs. Part of this commitment includes monitoring reviews designed not only to address OESE's responsibilities for fiscal and programmatic oversight, but also to identify areas in which States may need assistance and support to meet their goals and obligations.

Specifically, OESE created a proactive monitoring review process as a result of passage of the Coronavirus Aid, Relief and Economic Security (CARES) Act. Ideally, this review process should result in improved and strengthened partnerships between the United States Department of Education (Department) and States, and encourage States to develop and implement fiscal systems for emergency funding sources that align with Federal requirements.

The primary goal of this targeted review is to ensure the funds received under the CARES Act are handled by States in a manner consistent with the fiscal, administrative, and select program requirements contained in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the Education Department General Administrative Requirements (EDGAR), OMB memo 20-20, and the Cash Management Improvement Act (CMIA). To accomplish this, OESE's CARES Act monitoring review process focuses on the Governor's Emergency Education Relief (GEER) and the Elementary and Secondary School Emergency Relief (ESSER) funds as well as on areas that reflect fiscal requirements for States, and prioritizes the Department's monitoring of areas known to be historically challenging based on the Department's oversight of American Recovery and Reinvestment Act funds.¹

OESE's CARES Act targeted monitoring review comprised of a self-assessment questionnaire and a virtual desk review. This review is purposely narrower than the Department's Consolidated Monitoring Review² and addresses fewer areas specifically related to fiscal responsibility. Additionally, OESE included subrecipients in the review as a matter of due diligence to learn how State agencies that received CARES Act funds plan to monitor subrecipient expenditures and ensure CARES Act funds are being used for allowable purposes.

Navigating the Targeted Monitoring Report

This report contains several sections.

Section I contains a snapshot of the entire process from notification through this concluding report. Information in Section I includes the rationale OESE took in selecting a particular entity for monitoring,

¹ Lessons from Implementing the American Recovery and Reinvestment Act of 2009 Final Management Information Report: <https://www2.ed.gov/about/offices/list/oig/auditreports/fy2014/x09m0002.pdf>

² <https://oese.ed.gov/offices/office-of-formula-grants/school-support-and-accountability/performance-review/>

a summary of the materials submitted by the monitored entity, and the virtual desk review. Also, contained in this section is an outline of the subrecipient selection process.

Section II is a summary of the State’s performance on each indicator reviewed within each covered targeted monitoring subject matter area. For each indicator, the Department assigns one of four ratings:



Met requirements with commendation - represents high-quality implementation where the grantee is exceeding expectations;



Met requirements - indicates that no instances of noncompliance were identified;



Met requirements with recommendation - indicates there are quality implementation concerns and some improvements could be made to ensure the grantee continues to meet expectations; and



Action required - indicates there are significant compliance or quality concerns that require urgent attention by the reviewed entity and will be revisited until the issue is addressed.

The remaining sections (Sections III-VI) discuss any of the subject matter areas where the Department assigned a rating of “met requirements with recommendation” or “action required.” Section III corresponds with Cash Management and Payment Systems. Section IV corresponds with Accounting Systems and Fiscal Management. Section V corresponds with Internal Controls. Section VI corresponds with Subrecipient Monitoring.

Overview of Oklahoma Targeted Monitoring Review



CARES ACT GEER FUND DISTRIBUTION



FEDERAL FUNDING³

CARES ACT	
Total GEER Award	\$39,919,354
Drawn down July 2, 2020	\$39,919,354
Percent drawn down July 2, 2020	100%

Key Dates of Review

CARES ACT Monitoring Notification: September 29, 2020
 Initial Call: November 18, 2020; January 7, 2021, February 8, 2020
 Subrecipient and Entity Monitoring Selection: December 8, 2020
 Request to Return Unspent Funds: December 15, 2020
 Return of Unspent Funds: February 1, 2020 (\$919,354.00)
 Subrecipient Initial Call (Oklahoma State Department of Education): February 18, 2021
 Virtual Desk Review with Governor’s office: February 22, 2021
 Subrecipient Desk Review: March 2, 2021
 Interview with ClassWallet: March 5, 2021

ED Reviewers

Shane Morrisey (Management Support Office)
 Dan Behrend (Management Support Office)
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Subrecipient and Other Entities Participating in the Desk Review

Oklahoma State Department of Education (OSDE)
 ClassWallet (Kleo Inc.)⁴

³ On Friday, March 27, 2020, President Trump signed the CARES Act, which is a \$2 trillion package of assistance measures, including \$30.75 billion for an Education Stabilization Fund (<https://oese.ed.gov/offices/Education-Stabilization-Fund/>). A number of grant programs were created through the CARES Act including: the Governor’s Emergency Education Relief Fund (GEER); Elementary and Secondary School Emergency Relief Fund (ESSER); and Higher Education Emergency Relief Fund.

⁴ ClassWallet is the “doing business as” name for Kleo Inc.

Summary of OESE Process and Selection of Oklahoma Governor's Office

On Friday, March 27, 2020, President Trump signed the CARES Act, which is a \$2 trillion package of assistance measures, including \$30.75 billion for an Education Stabilization Fund. A number of grant programs were created through the CARES Act including: the Governor's Emergency Education Relief (GEER) Fund; Elementary and Secondary School Emergency Relief (ESSER) Fund; and Higher Education Emergency Relief Fund. After the Department completed awarding the CARES Act funds to States, some States immediately withdrew over 90 percent of their available balances from the Department's grants management system (the G5 system). The immediate draw down of CARES Act funding triggered similar concerns as those identified within Inspector General's reports related to Recovery Act funds.⁵ As such, OESE developed a targeted monitoring review process for CARES Act funding. This review was designed to specifically monitor GEER and ESSER grants to ensure proper oversight and provide States with technical assistance.

The Executive Office of the State of Oklahoma (Oklahoma) triggered the targeted monitoring review by immediately drawing down 100 percent of allocated GEER funds.⁶ OESE sent the initial CARES Act targeted monitoring notification to Oklahoma on September 29, 2020. From the start of this review, OESE staff members noted communication concerns, including the assignment of multiple points of contact, the assignment of a former staff member as an outside consultant to manage GEER funds, a general lack of responsiveness to direct questions from the Department, and delays in identifying a new project director and communicating to the Department. As a result, this lack of communication elevated the Department's concerns related to the management of GEER funds. Specific examples include Oklahoma's delays in returning unspent funds to the G5 system in response to requests from the Department, Oklahoma's inability to provide account balances in a timely manner, and Oklahoma's inability to provide documentation of policies and procedures for the use and administration of GEER funds. The lack of consistent communication and the delay in the return of funds led the Department to place conditions on the allocation of GEER II funds to Oklahoma through the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) Act.

As part of OESE's targeted monitoring of GEER funds, the Department included desk reviews with subrecipients. When the Department requested that Oklahoma provide a list of subrecipients receiving GEER funds, Oklahoma provided contact information for the Oklahoma State Department of Education (OSDE) and ClassWallet. Oklahoma was able to provide some information on account balances for OSDE; however, no information was provided for ClassWallet. Due to the amount of funding allocated

⁵ Alert Memorandum, State Educational Agencies' Implementation of Federal Cash Management Requirements under the American Recovery and Reinvestment Act

<https://www2.ed.gov/about/offices/list/oig/auditreports/AlertMemorandums/109j0007.pdf>

⁶ OESE's review was focused solely on the management of GEER funds and did not include a review of ESSER or other relief aid allocated through the CARES Act.

to OSDE and the lack of information for ClassWallet, OESE included OSDE and ClassWallet in the targeted monitoring to further evaluate and verify information received from Oklahoma. The Department conducted an initial call, on February 18, 2021, and a desk review of OSDE, on March 2, 2021. However, when the Department contacted ClassWallet, they responded that ClassWallet was a contractor for Oklahoma, and that Oklahoma miscategorized ClassWallet as a subrecipient of GEER funds. Based in part on the confusion over ClassWallet's relationship with Oklahoma in the administration of GEER funds, and in part based on the amount of GEER funds that Oklahoma provided to program beneficiaries through ClassWallet, the Department conducted an informational interview with ClassWallet on March 5, 2021, as an entity that provided services to Oklahoma through a contractual relationship.

ClassWallet operates an online platform that enables the creation, management, and accounting of online spending accounts for the purchase of education-related supplies. During the interview, ClassWallet equated the accounts to functioning similar to a purchasing card – a budgeted amount of funds is made available to the account holder, and the platform tracks purchases and account balances. Based on press releases, ClassWallet is “use[d] in more than 135,000 classrooms spread across 3,000 schools in 20 states, enables school districts to give teachers classroom supply budgets and maintain accountability of expenditures without the typical bureaucracy of K-12 school systems” (*see e.g.*, <https://www.prnewswire.com/news-releases/classwallet-provides-free-access-to-its-platform-for-school-districts-nationwide-to-help-teachers-get-needed-supplies-and-materials-while-working-remotely-from-home-301032652.html>). Oklahoma and ClassWallet provided different responses to the question of ClassWallet's role under the GEER grant. Oklahoma will need to come to some resolution on the correct determination of ClassWallet's role (*see e.g.*, 2 CFR 200.331). Based on the documentation and information provided by Oklahoma during the targeted monitoring, Oklahoma indicated ClassWallet was a subrecipient. However, the agreement did not clearly identify ClassWallet as a subrecipient (*see* 2 CFR 200.332(a)) and did not include the information required in a subaward (*see* 2 CFR 200.332(a)). Class Wallet indicated that it thought it was a vendor. Additionally, the description of ClassWallet's role of providing services could be classified as the role of a contractor (*compare* 2 CFR 200.331(a) *with* 2 CFR 200.331(b)). For the purposes of this report, the Department will refer to ClassWallet as a contractor. In response to this report, Oklahoma may provide additional documentation to support its determination that ClassWallet is a subrecipient under the GEER award.

The Department based the findings in this report on documentation and written responses to self-assessment questions provided by Oklahoma, as well as monitoring meetings with OSDE and ClassWallet where additional documentation was provided.

SECTION II

Summary Status of CARES ACT Implementation

STATUS KEY



Met requirements with commendation

High-quality implementation & compliance



Met requirements

No instances of noncompliance identified



Met requirements with recommendation

Satisfactory compliance with quality concerns



Action required

Significant compliance & quality concerns

TARGETED MONITORING

Topic	Status
Cash Management and Payment Systems	● ○ ○ ○
Accounting Systems and Fiscal Controls	● ○ ○ ○
Internal Controls	● ○ ○ ○
Subrecipient Monitoring	● ○ ○ ○

Cash Management and Payment Systems

ACTION REQUIRED ● ○ ○ ○

REQUIREMENT SUMMARY

Description: A Grantee must have written procedures for payment systems. Grantees are generally required to minimize the time elapsing between transfer of funds from the U.S. Treasury (or the Grantee) and disbursement. Interest earned amounts up to \$500 per year may be retained by the non-Federal entity for administrative expense. Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the Federal government.

[Cash Management Improvement Act of 1990](#)
[31 C.F.R. §§205.1-205.35](#)

Uniform Guidance
[2 C.F.R. 200.302\(b\)\(6\)](#)
[2 C.F.R. 200.305](#)

ISSUE

Applicable Federal Requirements

As outlined below, there are similar but distinct cash management requirement for States (the Cash Management Improvement Act) and for non-Federal entities other than States (the Uniform Guidance).

1. The Cash Management Improvement Act (CMIA)

The disbursement of most Federal assistance⁷ to States⁸ including most grant funds awarded to States by the Department, is governed by the CMIA, a Federal law administered by the United States Department of the Treasury (Treasury). Depending on the dollar amount of a grant in relation to the total amount of Federal funds received by a State, a grant may be considered a major Federal assistance program and will be included in a Treasury-State agreement and governed by subpart A of the CMIA regulations (31

⁷ The CMIA regulations in 31 C.F.R. § 205.2 define “Federal Assistance” as a program included in the Catalog of Federal Domestic Assistance where funds are transferred from the Federal government to a State. Federal assistance programs include cooperative agreements, but do not include vendor payments or direct loans. Cares Act grants administered by OESE are included in the CFDA and are considered Federal assistance under the CMIA.

⁸ The CMIA regulations in 31 C.F.R. § 205.2 define “State” as a State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, American Samoa, Guam, and the Virgin Islands. It includes any agency, instrumentality, or fiscal agent of a State that is legally and fiscally dependent on the State Executive, State Treasurer, or State Comptroller.

C.F.R. §§205.3-205.31).⁹ Alternatively, funds that fall below the threshold will not be included in a Treasury-State agreement and are governed by subpart B of the CMIA regulations (31 C.F.R. §§205.32-205.35). The Treasury Department posted Oklahoma’s Treasury-State agreement for FY 2021 on its website.¹⁰ Oklahoma’s GEER grant was not included in the agreement, accordingly under 31 C.F.R. §205.33, a State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

For Federal assistance programs not included in a Treasury-State agreement, interest liabilities to the Federal government are not incurred by the State.

2. Uniform Guidance

For payments to non-Federal entities other than States, the Uniform Guidance requirements in 2 C.F.R. §200.305(b) apply. Payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. Additionally, 2 C.F.R. §200.305(b)(1) requires that the non-Federal entity or the pass-through entity may provide advance payments to subrecipients, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the non-Federal entity, and financial management systems that meet the standards for fund control and accountability as established in the Uniform Guidance. Entities have an affirmative responsibility to ensure that advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs.

Oklahoma’s Compliance with Cash Management Requirements

Based on the documents submitted by Oklahoma, and OESE discussions with OSDE and ClassWallet, Oklahoma did not follow cash management requirements when it drew down 100 percent of the GEER funds on July 2, 2020, and subsequently provided advance payment to subrecipients for the entire subaward amount.

⁹ The thresholds for major Federal programs are cited in 31 C.F.R. §205.5.

¹⁰ <https://www.fiscal.treasury.gov/cmia/resources-treasury-state-agreements.html>

For example, on July 16, 2020, Oklahoma transferred \$8,000,000 in GEER funds to OSDE to partially fund OSDE's Incentive Grant program.¹¹ OSDE submitted documentation to the Department that indicates, as of February 19, 2021, over \$3,600,000 in unspent GEER funds remained in OSDE's account for the Incentive Grant program.¹² The balance of GEER funds on February 19, 2021, indicates there was not an actual, immediate cash requirement for Oklahoma to make an advance payment to OSDE of the entire \$8,000,000 on July 16, 2020.

As another example, from the \$39,919,354 that Oklahoma drew down from G5 on July 2, 2020, Oklahoma held approximately \$900,000 in GEER funds, not yet subawarded, in a State account. Between July 2, 2020, and February 1, 2021, Oklahoma did not disburse any of those funds for GEER program purposes. The balance of GEER funds on February 1, 2021, indicates there was not an actual, immediate cash need for Oklahoma to draw down the approximately \$900,000 from G5 on July 2, 2020. Based on a request from the Department, Oklahoma returned these funds to G5 on February 1, 2021.

Oklahoma lacked documentation on its cash management processes and decision making.

During the review, Oklahoma did not provide any documentation on Oklahoma's process in obtaining proposals for GEER funds, or determining the immediate need for GEER funds. During interviews, Oklahoma, subrecipients, and other entities indicated the process for determining how the GEER funds would be allocated and used was informal and conversational. The former Secretary of Education, along with the current Secretary of Education, who at the time was acting in his capacity as executive director of a non-profit entity, initiated discussions with future subrecipients (*i.e.*, OSDE) and contractors (*i.e.*, individuals from ClassWallet). Oklahoma stated the decision to draw down all the GEER funds from G5 on July 2, 2020, was made by the former Secretary of Education and was likely related to confusion over requirements for the significant influx of Federal funding from different sources. To date, Oklahoma has not provided documentation of its process for identifying subrecipients and contractors, determining specific allocations of GEER funds, determining the immediate need of funds by subrecipients relative to the immediate drawdown of all the funds from G5, nor information about Oklahoma's oversight of funds transferred to subrecipients or contractors. In short, there are no records of an immediate cash need for the entirety of Oklahoma's GEER award even though Oklahoma drew down all its GEER funds from G5 on July 2, 2020. Further, the information Oklahoma did provide on remaining GEER fund balances during the Department's review suggests a lack of an immediate cash need on July 2, 2020.

Oklahoma violated the requirements of the CMIA when it failed to minimize the time between its drawdown of GEER funds from G5 and disbursement for GEER program purposes (see 31 C.F.R. part 205.33(a)). Oklahoma did not limit its drawdown to actual, immediate cash requirements. It did not limit

¹¹ On May 4, 2020, Oklahoma was awarded funding from the Elementary and Secondary School Emergency Relief (ESSER) Fund. OSDE was allocated a set-aside amount of \$15,290,296 for "emergency needs" to address issues related to coronavirus. Of the set-aside funds, OSDE allocated \$8,000,000 of ESSER funds to districts through a competitive Incentive Grant. Governor Kevin Stitt allocated \$8,000,000 in GEER funds for the Incentive Grant program, bringing the total to \$16,000,000.

¹² OSDE confirmed ESSER and GEER funds were utilized for this program. However, OSDE took steps to segregate the funds into two different accounts.

the timing and amount of GEER funds transferred from G5 as close as administratively feasible to Oklahoma's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. Finally, Oklahoma did not exercise sound cash management when it made advance payments to subrecipients in excess of the actual, immediate cash needs of the subrecipients to carry out the GEER projects.

Oklahoma has taken steps to address its initial violations of the cash management requirements, by returning some funds to G5, following notification of the Department's monitoring and a reminder of the cash management requirements. Oklahoma has made several repayments to G5:

- On February 1, 2021, Oklahoma returned \$919,354.00 to G5 (the balance of funds drawn down from G5 on July 2, 2020, but not transferred to subrecipients and contractors as of February 1, 2021).
- On April 19, 2021, Oklahoma returned \$1,563,306.47 to G5. During an April 20, 2021, conversation with OESE's Office of State and Grantee Relations, Oklahoma stated that it planned to return approximately \$1.5 million in funds that had been awarded to a contractor, ClassWallet, to provide scholarships and microgrants to students in Oklahoma. The approximately \$1.5 million represented the balance of funds at the end of the contract, which had not been awarded to students through Oklahoma's program.
- On May 3, 2021, Oklahoma returned \$419,684.85 to G5. Oklahoma explained that the funds had been transferred to the Oklahoma State Virtual Charter School Board to support a program, Learn Anywhere Oklahoma. The funds were not used during the Learn Anywhere Oklahoma program's administration, and Oklahoma returned the funds to G5.

CORRECTIVE ACTION

1. Within 45 business days from the date of this report, Oklahoma must:
 - a. provide evidence to the Department that Oklahoma reminded its subrecipients about the requirements of the CMIA and the requirements in Uniform Guidance in 2 C.F.R. § 200.305 regarding advance payments; and,
 - b. require that Oklahoma's subrecipients return any GEER funds that Oklahoma provided through advance payment that remain unexpended, and return those funds to the G5 system until there is an actual and immediate need for those funds; and,
2. Within 60 business days from the date of this report, Oklahoma must provide to the Department:
 - a. a report detailing available subrecipient balances as of 45 days from the date of the report;
 - b. a report detailing GEER funds awarded by Oklahoma to contractors as of 45 days from the date of the report and details regarding the extent to which services have been performed for the funds already liquidated by Oklahoma; and,
 - c. evidence that Oklahoma has returned all of Oklahoma's and its subrecipient's unspent GEER funds to the G5 system.
3. Within 60 business days from the date of this report, Oklahoma must provide a report of:

- a. all interest accrued by subrecipients through June 30, 2021, as a result of advance payment of GEER funds;
- b. all interest accrued through June 30, 2021, by non-Federal entities other than States subawarded GEER funds, and evidence that interest accrued in excess of \$500 by any non-Federal entities other than States was remitted to the Department of Health and Human Services consistent with the requirements of 2 C.F.R. §200.305(b)(9).

Accounting Systems and Fiscal Management

ACTION REQUIRED ● ○ ○ ○

REQUIREMENT SUMMARY

Description: A Grantee and its subrecipients must use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds. In general, a Grantee must expend and account for Federal funds in accordance with State laws and procedures for expending and accounting for State funds. In addition, State, Grantee, subrecipients, and LEA accounting systems must satisfy Federal requirements regarding the ability to track the use of funds and permit the disclosure of financial results. Grantee's also must have written procedures for determining cost allowability and must maintain effective control over all funds.

EDGAR
[34 C.F.R. 76.702](#)

Uniform Guidance
[2 C.F.R. 200.302](#)
[2 C.F.R. 200.331](#)

ISSUE

Under 2 C.F.R. 200.302, the grantee's financial management system must provide for:

- identification of all Federal awards received and expended and the Federal programs under which they were received (2 CFR. 200.302(b)(1));
- accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in sections 200.328 and 200.329 (2 CFR. 200.302(b)(2));
- records that identify adequately the source and application of funds for Federally funded activities (2 C.F.R. 200.302(b)(3));
- effective control over, and accountability for, all funds, property, and other assets (2 CFR. 200.302(b)(4));
- comparison of expenditures with budget amounts for each Federal award (2 CFR. 200.302(b)(5));
- written procedures to implement the cash management requirements of section 200.305 (2 CFR. 200.302(b)(6)); and,
- written procedures for determining the allowability of costs in accordance with subpart E of the Uniform Guidance (see 2 C.F.R. §§200.400-476).

OESE discovered a lack of documentation and information regarding account management, processes, and GEER program decision making.

Following the desk review on February 22, 2021, Oklahoma provided ledger summaries, which included screen shots of their accounting platform, and notes explaining how the platform accounts for transfers from the statewide account for GEER funds to other agencies. The ledger summaries included examples for \$18,000,000 transferred to the Office of Educational Quality and Accountability (OEQA) and \$12,000,000 transferred to the Statewide Virtual Charter School Board. The documentation also noted that some transfers could not be condensed into a ledger summary; and, the documentation instead provided alternative documentation for those distributions, including \$8,000,000 transferred to OSDE and \$1,000,000 transferred to Tri-County Technology Center. During the desk review, Oklahoma noted that while the statewide accounting system would track transfers from the main State account to the agency accounts, it would not track subawards, and State agencies receiving GEER funds do not document encumbrances in the statewide accounting system. State agencies use their own accounting systems and follow their own procedures and recordkeeping policies.

Based on the documentation provided, several Oklahoma State agencies were involved in administering Oklahoma's GEER funds, including:

- The Executive Office of the State of Oklahoma (the recipient named on the GEER grant award notification);
- The Office of Management and Enterprise Services (OMES; which provides finance, property, human resources, and technology services across State agencies, and which provided similar support and services for the GEER award, including technical support with procurements involving GEER funds);
- The OEQA (led by the Secretary of Education, OEQA oversaw contracts involving significant amounts of GEER funds);
- The Oklahoma Statewide Virtual Charter School Board (oversaw contracts involving significant amounts of GEER funds); and,
- The OSDE (a subrecipient of GEER funds).

While Oklahoma was able to explain how its statewide accounting system accounted for funds transferred to State agencies, it was not clear how Oklahoma ensured compliance with the financial management system requirements under 2 C.F.R. 200.302 on the use of GEER funds for program purposes. As the recipient of GEER funds, Oklahoma should be able to demonstrate how it ensures that GEER funds are accounted for from the time of receipt through obligation and use for GEER-funded activities. At the time of the review, Oklahoma was working to develop processes to regularly collect and track account balances from subrecipients. Oklahoma provided limited written policies and procedures related to actual or planned reconciliation of GEER accounts.¹³ Additionally, Oklahoma was

¹³ Oklahoma did provide a draft OMES Internal Control Policy that included some information about account reconciliation policies on February 12, 2021.

unable to provide any documented criteria or procedures related to monitoring of accounts to ensure funds are used for allowable costs.

The Department's difficulties in reconstructing Oklahoma's process for accounting for GEER funds may reflect, or be attributed to, the lack of clarity in relationships between entities and written policies or procedures to define roles and responsibilities among State agencies. For example, Oklahoma transferred funds to some State agencies that were identified by Oklahoma as subrecipients (*e.g.*, OSDE) and to some State agencies that were not (*e.g.*, OEQA). While the distinction may relate to the structure of Oklahoma's State government, there is no documentation to reflect those determinations or relationships that subaward notifications to the subrecipient include certain information, as required in 2 C.F.R. 200.333(a). When multiple State agencies function as the grant recipient, a memorandum of understanding or interagency agreement explaining the roles and responsibilities of various State agencies administering the grant would help ensure better internal control of the grant funds.¹⁴

CORRECTIVE ACTION

Within 60 days of receiving this report, Oklahoma must provide the Department with evidence that Oklahoma has developed and implemented:

1. a policy to designate specific State agencies to oversee and account for GEER funds, including a description of how Oklahoma will account for GEER funds from G5 drawdowns through the use for allowable GEER activities and how Oklahoma's financial management system ensures compliance with 2 C.F.R. 200.302.
2. documented procedures for performing periodic reconciliations (*e.g.*, monthly, quarterly) between subrecipient payment requests, subrecipient account balances, and the amounts drawn down from G5. The procedures should require the verification of the accuracy of the grant codes used when making draws (including some sort of authorization or documented approval).
3. written policies regarding the allowability of costs that include the criteria for cost allowability, details pertaining to specific items of cost as defined in the Uniform Guidance Cost Principles (2 C.F.R. 200.400-476), and program-specific considerations to help guide staff when developing annual spending plans for each fiscal year, when evaluating proposed program budgets, and when evaluating actual expenditures during the course of program administration or monitoring. Such documentation should help ensure that Oklahoma staff are sufficiently considering the factors for cost allowability when evaluating proposed and actual program spending.

¹⁴ On May 11, 2021, Oklahoma provided the Department with a copy of subrecipient agreement for an additional \$2,902,345.32 in GEER funds that Oklahoma subawarded to OSDE. The subrecipient agreement showed that Oklahoma may have improved its processes for documenting subawards following OESE's monitoring.

Internal Controls

ACTION REQUIRED ● ○ ○ ○

REQUIREMENT SUMMARY

Description: A Grantee must establish and maintain a system of effective internal controls over Federal awards that provides reasonable assurance that the Grantee is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards. These internal controls should be in accordance with guidance stated in the “Standards of Internal Control in the Federal Government” ([GAO Green Book](#)) or the “Internal Controls Integrated Framework” (Treadway Commission).

Uniform Guidance
[2 C.F.R. 200.303](#)

ISSUE

Under 2 C.F.R. § 200.303, a non-Federal entity must establish and maintain effective internal control over a Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award (2 C.F.R. § 200.303(a)). A non-Federal entity’s internal controls¹⁵ should comply with guidance contained in the “Standards for Internal Control in the Federal Government” (GAO Green Book) or the “Internal Control Integrated Framework” (Treadway Commission/COSO). Important elements of sufficient internal controls under both of these frameworks are an internal risk identification and assessment process, and a process for monitoring the operation of an organization’s internal controls.

Oklahoma lacked documentation on its internal controls.

Oklahoma lacked documentation on its internal controls and decision making related to the GEER grant. Several Oklahoma State agencies administered portions of the GEER grant; using the information provided, the Department was unable to determine Oklahoma’s overall plan, operations, and management of the GEER funds because of a lack of documentation. Additionally, press releases and news coverage mentioned non-State entities, specifically Every Kid Counts Oklahoma, administering

¹⁵ 2 C.F.R. 200.1 defines internal controls to mean processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories: (i) Effectiveness and efficiency of operations; (ii) Reliability of reporting for internal and external use; and (iii) Compliance with applicable laws and regulations.

portions of the GEER funds, but there was no documentation detailing the roles and responsibilities of that organization. After the Department initiated its monitoring process, Oklahoma identified a primary point of contact who has worked to develop and provide missing documentation for Oklahoma's policies and procedures related to administration, monitoring, and oversight of the grant, including locating and providing an internal control policy for OMES. Based on the documentation and information available during the monitoring engagement, however, Oklahoma did not demonstrate sufficient evidence of establishing and maintaining effective internal control over the GEER award. As a result, Oklahoma could not provide reasonable assurances that it managed the GEER award consistent with Federal requirements.

Oklahoma did not provide documentation of a comprehensive internal control framework. The five components of internal control (*i.e.*, control environment, risk assessment, control activities, information and communication, and monitoring) must be effectively designed, implemented, and operating together in an integrated manner for an internal control system to be effective (*see e.g.*, *GAO Green Book*, pages 7, 15). If a principle or component is not effective, or the components are not operating together in an integrated manner, then an internal control system cannot be effective (pages 15, 17). The drawdown of the entire GEER award on July 2, 2020, the advanced payment of entire subawards, and the lack of documentation of policies and decisions impacting the grant indicate deficiencies in Oklahoma's internal controls for the GEER funds.

Oklahoma provided little documentation of its planning for the use of GEER funds.

Oklahoma did not provide documentation of its planning and decision-making process for using the GEER funds. Unlike some States that solicited proposals and feedback on their plans, Oklahoma, its subrecipients, and vendors described a planning process where decisions were made by a small group of people, mainly through conversations and meetings.¹⁶ Some vendors were selected through sole source contracts after meetings with a small group of decision makers. While Governors have broad discretion in using GEER funds, additional planning and documentation of Oklahoma's planning and decision-making process is a necessary internal control of Federal funds. Additionally, a documented process would have provided greater transparency, and may have helped Oklahoma identify areas where it needed to develop or adjust control activities to manage the GEER grant.

During the review, Oklahoma did not provide documentation related to Oklahoma's process in obtaining proposals for GEER funds, establishing a methodology for determining immediate need, or how Oklahoma approved or rejected proposals. While OSDE did submit a proposal to Oklahoma, OSDE submitted the document proactively and through no formal solicitation process. The Department found

¹⁶ The former Secretary of Education, along with the current Secretary of Education in his capacity as CEO of a non-profit entity, initiated discussions with OSDE and individuals from ClassWallet related to their services. To date, email or other records from the former Secretary have not been provided to the Department related to the process of determining actual needs, the determination of specific allocations, or the decisions leading to the immediate drawdown of funds.

that for some GEER funded contracts, there was no documentation of a public notice of the availability of GEER funding, a formal bid process, or published eligibility requirements.

Oklahoma also did not provide documentation of its planning related to implementing sufficient internal control over the GEER funds. With limited documentation available, it is not clear Oklahoma had sufficient internal controls in place to ensure Oklahoma's internal agencies had the relevant capacity, experience, and controls in place to administer their specific allocation of GEER funds consistent with applicable requirements. When evaluating its internal controls, Oklahoma should have identified potential risks to the control environment, including the lack of sufficient staffing, defined roles and responsibilities among agencies and staff, knowledge of the applicable requirements for GEER funds, oversight of programmatic decisions (*e.g.*, allowable expenses), planning a risk assessment, planning for monitoring activities, satisfying mandated reporting, and establishing accounting procedures.

Further, Oklahoma did not provide evidence of its process for assessing risk factors of the subrecipients receiving GEER funds. Without a formal assessment process in place, or policies and procedures related to evaluating a subrecipient's ability to carry out grant activities in compliance with applicable requirements, the Governor put GEER funds at potential risk for fraud, waste, and abuse. Oklahoma provided an example of a project submission and a form, "Information and Questionnaire For Subrecipients," that one subrecipient completed. Aside from this example, Oklahoma provided little documentation related to how programs were approved, what information was gathered prior to making subawards, or award notifications provided to subrecipients. As demonstrated by the confusion related to the classification of the relationship between Oklahoma and ClassWallet, Oklahoma's processes for making subawards and contracts were not clearly established prior to transferring funds to ClassWallet to ensure ClassWallet could identify and comply with applicable program requirements.¹⁷

Finally, the Department notes concerns about the lack of transparency and documentation related to the allocation of GEER funds. Specifically, there appeared to be no formalized, documented process for entities to obtain GEER funds and demonstrate how funds would be utilized or maintained. Some of the evidence provided suggests that Oklahoma may not have followed its own procurement policies when awarding contracts using GEER funds. The informal process, lack of documentation, and lack of

¹⁷ OESE notes concerns related to the ability of the Governor's office to contract with Kleo Inc. for \$18 million without oversight or knowledge of the actual relationship that contract establishes. Based on the evidence provided, the contract appears to be for services from a contractor, not a subrecipient as identified by the Governor's office.

transparency around the involvement of other non-State entities¹⁸ related to the GEER award process also remains unexplained.¹⁹

Oklahoma lacked sufficient documentation of the roles and responsibilities of State agencies.

One of the principles of establishing an effective control environment is establishing an organizational structure, assigning responsibility, and delegating authority to achieve objectives (*see e.g.*, the GAO Green Book, Principle 3 – Establish Structure, Responsibility, and Authority, pages 27-29). Oklahoma lacked documentation of written policies or procedures to define roles and responsibilities among State agencies for administration of the GEER grant (*see* the GAO Green Book; Principle 12 – Implement Control Activities, Documentation of Responsibilities through Policies, page 56). For example, Oklahoma transferred funds to some State agencies that were identified by Oklahoma as subrecipients (*e.g.*, OSDE) and to some State agencies that were not (*e.g.*, OEQA). While the distinction may relate to the structure of Oklahoma’s State government, Oklahoma did not provide documentation to reflect those determinations or relationships. 2 C.F.R. 200.333(a) requires that a subaward to the subrecipient include certain information, and Oklahoma did not provide subrecipient agreements for State agencies identified as subrecipients.²⁰ Additionally, while Oklahoma provided documentation of specific State agencies performing discrete grant activities (*e.g.*, transferring funds from a central State account to State agency accounts; procuring goods and services) the documentation did not demonstrate an organized process to ensure ongoing compliance with applicable Federal requirements.

Oklahoma lacked sufficient documentation of its subrecipient and contractor determinations.

Oklahoma did not clearly document its subrecipient and contractor determinations. 2 C.F.R. 200.331 provides guidance on making subrecipient and contractor determinations. The *Frequently Asked*

¹⁸ In his role as CEO/Executive Director of Every Kid Counts Oklahoma, the current Secretary of Education advised the former Secretary of Education on the potential uses of GEER funds, and arranged a meeting with ClassWallet. The current Secretary of Education appears to have maintained his roles overseeing Every Kid Counts Oklahoma after assuming his role with Oklahoma. ClassWallet reported that staff at the Oklahoma Public School Resource Center provided Oklahoma’s notice to ClassWallet to extend a program deadline from December 2020 to March 2021. Oklahoma provided invoices that showed payments to the Oklahoma Public School Resource Center through a service agreement with the Oklahoma Statewide Virtual Charter School Board, but not documentation of services provided to OEQA related to ClassWallet.

¹⁹ Oklahoma issued a press release on August 12, 2020, which stated “Bridge the Gap is administered by Every Kid Counts Oklahoma (EKCO), a new education-focused organization, and EKCO will be awarding the grants to up to 5,000 Oklahoma families on a first-come, first-served basis.” (https://www.governor.ok.gov/articles/press_releases/governor-stitt-announces-launch-of-bridge-the-gap). A November 11, 2020 press release stated, “This grant is funded by The Governor’s Emergency Education Relief (GEER) fund through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The grant awarding is being overseen by Every Kid Counts Oklahoma, an education focused nonprofit in Oklahoma City.” (https://www.governor.ok.gov/articles/press_releases/governor-stitt-expands-eligibility-for-digital). Oklahoma provided no documentation to support EKCO overseeing any portion of the GEER grant. While the current Secretary of Education concurrently serves as the CEO/Executive Director of EKCO, there was no documentation that the Secretary performed any work on the GEER grant in his private capacity as CEO of EKCO. If EKCO, or the Secretary in his private capacity as CEO of EKCO, had any role in overseeing or administering a portion of the GEER grant, that role and relationship should have been documented. Public-facing documentation online also suggests that Oklahoma directed families to EKCO’s website to apply for GEER funding.

²⁰ Following the review, on May 11, 2021, Oklahoma provided a subrecipient agreement with OSDE documenting a new subaward for \$2,902,345.32. The subrecipient agreement included information required under 2 C.F.R. 200.332.

*Questions about the Governor’s Emergency Education Relief Fund (GEER Fund)*²¹ also provides guidance on which entities are eligible to receive GEER funds through subawards and contracts. Oklahoma should have identified the need for subrecipients and contractors during planning, selected subrecipients through a documented subaward process, selected contractors through a documented procurement process, recorded subawards through subrecipient agreements with subrecipients, and entered into contracts with contractors.

When the Department requested information for subrecipients to include in the review, Oklahoma identified ClassWallet as a subrecipient of GEER funds. ClassWallet, however, insisted that it was a vendor, providing services to Oklahoma through an online platform, and operating under a contract. The agreement between ClassWallet and Oklahoma was labelled a “contract,” was similar in form and substance to other contracts with vendors that Oklahoma provided to the Department as part of the review, and did not include the information required for a subrecipient agreement under the Uniform Guidance (see 2 C.F.R. 200.332(a)). Since the requirements that apply to a subrecipient differ from those of a vendor, the failure to clearly identify the relationship at the outset has led to confusion about applicable standards.

Oklahoma lacked sufficient documentation that it followed its own procurement processes.

When procuring property and services under a Federal award, a State must follow the same policies and procedures it uses for procurements from its non-Federal funds (2 C.F.R. 200.317. The State will comply with sections 200.321, 200.322, and 200.323 and ensure that every purchase order or other contract includes any clauses required by section 200.327).

In the example of the services provided by ClassWallet, Oklahoma awarded a noncompetitive, sole source contract for \$18,000,000.²² Aside from the contract itself, Oklahoma did not provide documentation of a solicitation, request for proposals, or other documentation of the procurement process. During the interview conducted as part of the desk review, Oklahoma stated that the former Secretary of Education approached the current Secretary of Education, who at the time was only acting in his capacity as the executive director of education nonprofits,²³ to discuss the use of GEER funds. The current Secretary of Education then approached ClassWallet and later organized a meeting between the former Secretary of Education and ClassWallet. During the interview, Oklahoma was unsure if Oklahoma had an executive order or emergency declaration in effect that would have permitted an exception from the State’s procurement policies and procedures. Following the review, staff from

²¹ Available at <https://oese.ed.gov/files/2020/10/FAQs-GEER-Fund.pdf>.

²² The \$18,000,000 contract covered services for two programs. \$9,716,000 for the Stay in School Program, which provided up to \$6,500 grants to families to pay for private school tuition. \$7,634,000 for the Bridge the Gap program, which provided grants up to \$1,500 to families to purchase educational supplies, materials, and technology. \$650,000 went to ClassWallet for implementation fees. In its FFATA report, Oklahoma reported the payments to Kleo, Inc. (*i.e.*, ClassWallet) as \$10,000,000 for the Stay in School Program and \$8,000,000 for the Bridge the Gap Program.

²³ The current Secretary of Education concurrently serves as the CEO/Executive Director of Every Kid Counts Oklahoma (EKCO). Based on media accounts, it appears that the current Secretary of Education also served as Executive Director of Oklahoma Achieves prior to becoming Secretary of Education.

Oklahoma followed up by email and said that the State’s executive orders in response to the pandemic would not have applied to the procurement with ClassWallet.²⁴ Based on the documentation and information provided by Oklahoma, including the statements that ClassWallet was a subrecipient, the Department was unable to determine if Oklahoma followed the same policies and procedures it uses for procurements from its non-Federal funds as required by 2 CFR 200.317.

Oklahoma should further monitor the use of GEER funds through ClassWallet.

During the interview with ClassWallet, it was noted that Oklahoma currently can access the platform to review the purchases made by beneficiaries receiving GEER funds, and supporting documentation including receipts, and that Oklahoma has authority under the contract to conduct audits of the platform. While ClassWallet includes some automated controls on what users may purchase on the platform, ClassWallet noted they do not review purchases to determine that purchases are allowable uses of GEER funds. During our review, Oklahoma was working to establish policies and procedures to monitor subrecipients and vendors receiving GEER funds. Oklahoma did provide sample reports on the numbers of students served and the amounts of funding awarded to students. Oklahoma should further develop a plan to monitor the GEER funds awarded to Oklahoma families through the Bridge the Gap program that includes monitoring to ensure the purchases made through ClassWallet are allowed uses of funds under the GEER grant.

Oklahoma did not provide documentation of its internal risk assessment.

While Oklahoma stated that auditors assess Oklahoma’s internal controls as part of required audits (*i.e.*, Single Audit), Oklahoma did not provide evidence of its own process for assessing internal risk. Without a formal risk assessment process in place, there is a risk that Oklahoma will be unable to sufficiently identify risks to agency operations, develop targeted strategies to mitigate identified risks, or make timely determinations regarding the ability of the controls that are already in place to protect against identified risk.

CORRECTIVE ACTION

Within 60 business days of receiving this report, Oklahoma must provide to the Department:

- (1) documentation of a regular process (*e.g.*, quarterly, annually, biannually) for identifying internal risks (*see e.g.*, GAO Green Book, pages 34-42). This documentation should include:
 - a. the types of risk that will be evaluated and the indicators to be used in the assessment;
 - b. the process for establishing risk tolerances for different categories or types of risk;
 - c. the process used to complete the risk assessment (including identification of responsible individuals); and

²⁴ In its most recent communication with Department on the matter, Oklahoma stated that it still believes that ClassWallet should be considered a subrecipient of GEER funds.

- d. the process used to respond to identified risks affecting the operation or performance of the organization.
- (2) documentation of a regular process (*e.g.*, quarterly, annually, biannually) for evaluating the performance and/or effectiveness of the agency's internal controls framework (*see e.g.*, GAO Green Book, page 56). This documentation should include a description of the process and its frequency, identify the staff responsible for performing such an evaluation, and include copies of any tools or checklists that will be used to accomplish the evaluations. While Oklahoma cannot rely solely on external auditors to complete evaluations of internal controls, the process developed can be complementary in scope to the work performed by the external entities;
 - (3) documentation of Oklahoma's internal controls framework, including any updated internal controls to ensure compliance with requirements for GEER funds (*see e.g.*, GAO Green Book, page 29);
 - (4) documentation of a process for awarding future contracts using GEER funds,
 - (5) documentation, demonstrating how Oklahoma complied with the State's procurement process for each of the State's procurements using GEER funds;
 - (5) documentation of a process for selecting future subrecipients receiving GEER funds, including issuing a subrecipient agreement that includes the information required in 2 CFR 200.332(a);
 - (6) documentation explaining Every Kid Counts Oklahoma's, and the Oklahoma School Resource Center's roles in advising, overseeing, administering, or monitoring Oklahoma's GEER funds;
 - (7) documentation defining the roles and responsibilities of Oklahoma State agencies involved in administering the GEER grant; and, where an Oklahoma State office or agency received GEER funds, documentation of the agency's role and responsibility in administering subawards;
 - (8) documentation listing and distinguishing State agency transfers, subrecipients and vendors (including ClassWallet and Edmentum, Inc.), the amount of GEER funds they received, and any unspent GEER funds; and,
 - (9) documentation of a process for reviewing purchases made by program beneficiaries through ClassWallet, and Oklahoma's analysis and determination of whether the use of funds was consistent with GEER requirements.

Subrecipient Monitoring

ACTION REQUIRED ● ○ ○ ○

REQUIREMENT SUMMARY

Description: A Grantee shall monitor subrecipients and any other entities, including external providers, receiving Federal funds from programs to ensure that all applicable fiscal and programmatic performance goals are achieved and that subawards are used for authorized purposes and in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards.

Uniform Guidance
[2 C.F.R. 200.332\(d\)](#)

[2 C.F.R. 200.332\(d\)](#)

ISSUE

Under 2 C.F.R. 200.332(d), Oklahoma must monitor the activities of subrecipients to ensure that subawards are used only for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, and to ensure that subaward performance goals are achieved (2 C.F.R. 200.332(d)).

A grantee has the discretion to design its own subrecipient monitoring processes for both fiscal and programmatic elements of program administration. However, the grantee must ensure that its subrecipient monitoring activities are sufficient to provide reasonable assurance that subrecipients are administering programs in compliance with all applicable requirements (both programmatic and fiscal) and that the grantee is able to evaluate progress towards the accomplishment of performance goals. Additionally, 2 C.F.R. 200.332(d) requires use of a risk-based determination to inform monitoring.

During the review, Oklahoma was unable to provide documents outlining its subrecipient monitoring processes, risk assessments, or satisfactorily describe the process during the review, including the selection of subrecipients for monitoring, assignments of responsibilities for monitoring staff, protocols for monitoring or descriptions or examples of planned post-monitoring follow-up activities.

CORRECTIVE ACTION

Within 60 business days of receiving this report, Oklahoma must provide the Department with a plan (or plans if not consolidating fiscal and program monitoring) for implementation of subrecipient fiscal and program monitoring. The plan should include a timeline for implementation with deliverables that can

be submitted to the Department to demonstrate progress toward full implementation of the subrecipient monitoring plan.

Specifically, the subrecipient monitoring plan must address both fiscal and programmatic monitoring, and include the following elements:

1. Description of a process for subrecipient fiscal monitoring. The fiscal monitoring must encompass a range of fiscal indicators sufficient to provide reasonable assurance that subrecipients are managing program funds in accordance with requirements. The plan provided must include:
 - a. Timelines for the development of documented fiscal monitoring procedures and fiscal monitoring protocols;
 - b. Identification of the staff and/or agencies that will be responsible for carrying out fiscal monitoring activities;
 - c. Descriptions of the selection process and criteria for identifying subrecipients to receive monitoring reviews for each type of monitoring activity; and,
 - d. Descriptions of the post-monitoring process, including the monitoring report process and templates, and timelines for subrecipient corrective action.
2. Description of a process for subrecipient programmatic monitoring. This documentation must include the following items:
 - a. Timelines for the development of documented programmatic monitoring procedures and programmatic monitoring protocols;
 - b. Identification of the staff and/or agencies that will be responsible for carrying out programmatic monitoring activities;
 - c. Descriptions of the selection process and criteria for identifying subrecipients to receive monitoring reviews for each type of monitoring activity; and,
 - d. Descriptions of the post-monitoring process, including the monitoring report process and templates, and timelines for subrecipient corrective action.