



U.S. Department of Education
Office of Inspector General

Oklahoma's Administration of the Governor's Emergency Education Relief Fund Grant

July 18, 2022
ED-OIG/A20GA0011

ED OIG Oversight of Coronavirus Response Funds



NOTICE

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**UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL**

Audit Services

July 18, 2022

The Honorable J. Kevin Stitt
Governor, State of Oklahoma
Oklahoma State Capitol
2300 N Lincoln Blvd.
Oklahoma City, Oklahoma 73105

Dear Governor Stitt:

Enclosed is our final audit report, "Oklahoma's Administration of the Governor's Emergency Education Relief Fund Grant," Control Number ED-OIG/A20GA0011. This report incorporates the comments you provided in response to the draft report. If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Department of Education official, who will consider them before taking final Departmental action on this audit:

Mark Washington
Deputy Assistant Secretary
Office of Administration
U.S. Department of Education
400 Maryland Ave. SW
Washington, D.C. 20202

The U.S. Department of Education's policy is to expedite audit resolution by timely acting on findings and recommendations. Therefore, if you have additional comments, we would appreciate receiving them within 30 days.

Sincerely,

/s/

Selina Boyd
Regional Inspector General for Audit

Enclosure

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Results in Brief

What We Did

The objectives of the audit were to determine whether the State of Oklahoma (Oklahoma) designed and implemented awarding processes that ensured that the Governor's Emergency Education Relief Fund (GEER grant) was used to support local educational agencies (LEA) and institutions of higher education (IHE) that were most significantly impacted by the coronavirus or LEAs, IHEs, or other education-related entities within the State that were deemed essential for carrying out emergency educational services; and monitoring processes to ensure that subgrantees used GEER grant funds in accordance with the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and other applicable Federal requirements.¹ Our review covered the first of two GEER grants that Oklahoma received, including the processes that it used to award and monitor GEER grant funds, from March 13, 2020, through August 26, 2021.

To accomplish our objectives, we reviewed relevant Federal laws, regulations, and guidance. We assessed Oklahoma's awarding process for the five initiatives² it funded with the GEER grant, including Oklahoma's methodology for identifying LEAs and IHEs that were most significantly impacted by the coronavirus, and its methodology for identifying LEAs, IHEs, or other education-related entities within the State that it deemed essential for carrying out emergency educational services. To assess Oklahoma's awarding process, we interviewed Oklahoma officials and entities that were awarded GEER grant funds; reviewed samples of applications from eligible entities or individuals for three of the five initiatives that Oklahoma funded to determine whether the entities that were awarded GEER grant funds followed the established award processes; reviewed contracts that Oklahoma awarded using GEER grant funds to determine whether funds were awarded to education-related entities within the State that were deemed essential for carrying out emergency educational services, and to determine whether Oklahoma followed its procurement policies and procedures; and reviewed Oklahoma's drawdowns from the U.S. Department of Education's

¹ The CARES Act authorizes Governors to provide grants to LEAs and IHEs within their jurisdiction that have been most significantly impacted by coronavirus, and to use funds to provide support to other LEAs, IHEs, and other education-related entities that the Governor deems essential for carrying out emergency educational services, providing childcare and early childhood education, providing social and emotional support, and protecting education-related jobs.

² The five initiatives are the CARES Act Incentive Grants, Learn Anywhere Oklahoma, Bridge the Gap Digital Wallet, Stay in School Fund, and Skills to Rebuild.

(Department) G5 grants management system to determine whether Oklahoma complied with cash management requirements.

We also assessed Oklahoma's processes for monitoring the entities to which it awarded GEER grant funds. Our assessment included a review of the monitoring plan Oklahoma's State Department of Education (OSDE) used to monitor LEAs that received GEER grant funds for Oklahoma's CARES Act Incentive Grants initiative, and a review of the monitoring processes Oklahoma used to monitor the other four GEER grant initiatives. We also reviewed a sample of expenditures from the Bridge the Gap and Stay in School Fund initiatives to determine whether recipients used the GEER grant funds for allowable purposes.³

What We Found

Oklahoma did not award all of its GEER grant funds in accordance with the CARES Act, Federal regulations, Department guidance, and GEER grant conditions as discussed in the findings below and the specific sections in this report.

Grant Awards

For four of the five initiatives that Oklahoma funded with its GEER grant (Skills to Rebuild, Learn Anywhere Oklahoma, Bridge the Gap Digital Wallet (Bridge the Gap), and Stay in School Fund), Oklahoma could not support its stated processes for awarding funds to eligible entities that were either most significantly impacted by the coronavirus, as determined by the State, or deemed essential for carrying out emergency educational services, providing childcare and early childhood education, providing social and emotional support, or protecting education-related jobs. As a result, Oklahoma lacks assurance that its awards to three entities under these initiatives—totaling \$31 million of the State's \$39.9 million GEER grant—aligned with the purpose of the GEER grant fund. However, for the fifth initiative (CARES Act Incentive Grants), OSDE designed and implemented an awarding process that ensured

³ We did not review a sample of expenditures for allowability for two of the three other initiatives because we determined that the risk of an unallowable use of funds was low because of how the funds were used. Learn Anywhere Oklahoma funds were used to purchase digital curriculum. Skills to Rebuild funds were used to provide tuition waivers. For the third initiative (CARES Act Incentive Grants), we found that OSDE had reimbursement procedures and planned monitoring controls in place to mitigate the risk of unallowable expenditures.

\$8 million of its \$39.9 million⁴ GEER grant was used to support LEAs that were most significantly impacted by the coronavirus, as determined by the State. We also found that the coronavirus areas of impact⁵ that OSDE included in its award process for this initiative aligned with the purpose of the CARES Act to support LEAs most significantly impacted by coronavirus.

In awarding GEER grant funds to entities for all five of its initiatives, Oklahoma did not adhere to Federal requirements for pass-through entities to clearly identify subawards to subrecipients and to provide those subrecipients with certain required information at the time of the subawards. This creates an increased risk of subrecipients not using GEER grant funds in accordance with Federal statutes and the terms and conditions of the GEER grant award.

We tested the process that OSDE established to award grant funds to LEAs for the CARES Act Incentive Grants, and the process that Oklahoma established to award grant funds to applicants for the Bridge the Gap and Stay in School Fund initiatives.⁶ For these three initiatives, we found that, in general, the entities responsible for the initiatives (OSDE and ClassWallet⁷) adhered to OSDE and Oklahoma's established award processes; however, one of Oklahoma's GEER grant contractors did not require its subcontractor to adhere to Federal record retention requirements. This resulted in us not being able to fully confirm the eligibility of 8 of the 10 students we sampled for the Stay in School Fund initiative. Without documentation to confirm the eligibility of recipients of GEER grant funds, Oklahoma does not have assurance that the recipients were those the GEER grant was intended to serve.

In awarding GEER grant funds to one of its contractors, Oklahoma followed provisions in its procurement laws that enabled the Chief Information Officer (CIO) to deviate from

⁴ Oklahoma did not award \$919,354 of its \$39.9 million GEER grant award for the initial round of awards. Oklahoma returned the funds to the Department in February 2021.

⁵ Some examples of the areas of impact that OSDE included in its award process for the initiative included expanding students' connectivity for distance learning and providing teacher training on reading instruction, with a specific focus on doing so in a remote environment.

⁶ We did not review the award process for the other two initiatives (Learn Anywhere Oklahoma and Skills to Rebuild) because we determined that the risk of an improper award was low because neither initiative had eligibility requirements.

⁷ ClassWallet operates an online digital wallet payment platform and an e-commerce marketplace that facilitates payments to families and teachers and enables them to spend funds in an online marketplace.

competitive bidding for certain types of information technology contracts. Although we found that Oklahoma also had a policy that granted the CIO the ability to deviate from procurement rules when “circumstances warrant,” Oklahoma has not established any written policies and procedures dictating the specific circumstances under which such deviations would be warranted, procedures to follow in such cases, or minimum documentation requirements. As a result, there is a greater possibility of contractual awarding decisions not being adequately supported, which provides for less transparency into the process and could increase the risk of fraud, waste, and abuse. [\(Finding 1 of this report\)](#)

Monitoring Processes

The monitoring processes Oklahoma designed and implemented to ensure that subgrantees used GEER grant funds in accordance with the CARES Act and other applicable Federal requirements for four initiatives (Skills to Rebuild, Learn Anywhere Oklahoma, Bridge the Gap, and Stay in School Fund) of the five it funded with the GEER grant need strengthening. Specifically, Oklahoma did not develop any written monitoring policies and procedures and conducted only limited monitoring activities. Oklahoma’s monitoring consisted primarily of its review of weekly status reports and expenditures for each initiative but did not include a review of supporting documentation for information contained in the reports or for the expenditures. In addition, Oklahoma did not have any monitoring controls in place to prevent the Bridge the Gap purchases we identified in our testing as items that did not appear to be education-related. Specifically, out of the \$6,126,614 in Bridge the Gap purchases made by parents, \$652,720 (11 percent) of the purchases were for items that did not appear to be education-related, such as televisions, air conditioners, and Christmas trees.

For the fifth initiative (the CARES Act Incentive Grants initiative), OSDE designed and implemented a monitoring process for its LEAs that provided reasonable assurance that the GEER grant funds were used in accordance with the CARES Act and other Federal requirements. Specifically, OSDE developed a written monitoring plan and a reimbursement process to ensure the funds were being used for allowable purposes. [\(Finding 2 of this report\)](#)

Cash Management

Oklahoma did not follow cash management requirements. Specifically, Oklahoma drew down its entire GEER grant award but did not have an immediate cash need for the funds at the time of the draw down and did not minimize the amount of time between the drawdown and disbursement of the funds to subrecipients. Drawing down an excessive amount of funds without an immediate cash need increases the risk of mismanagement of the funds. [\(Finding 3 of this report\)](#)

What We Recommend

We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education require the Governor of Oklahoma to—

- provide documentation, or a full and detailed written explanation, of the process Oklahoma used to determine the initiatives it supported with GEER grant funds and the entities it selected to administer the initiatives (Recommendation 1.1);
- develop and implement a process to ensure that it documents the criteria and decisions made for awarding future GEER grant funds in accordance with applicable requirements (Recommendation 1.2);
- develop and implement internal controls to ensure that
 - Oklahoma administers current and future GEER grants and retains records in accordance with applicable Federal regulations and grant requirements (Recommendation 1.3);
 - monitoring procedures are documented and include a protocol for reviewing supporting documentation for GEER grant expenditures and for information in GEER grant initiatives' weekly status reports (Recommendation 2.3); and
 - Oklahoma's State agencies that receive Federal funds have written cash management policies and procedures (Recommendation 3.1);
- Develop and implement written policies and procedures to describe the specific circumstances under which deviations from procurement rules are warranted, including procedures about required documentation of such decisions for procurements that do not use competitive bidding but use Federal education funds (Recommendation 1.5);
- perform a 100-percent review, or review a statistical sample, of the Stay in School Fund microgrant recipients to confirm that all students were eligible to receive GEER grant funds (Recommendation 1.4);
- return \$652,720 in questionable Bridge the Gap expenditures or provide documentation to show that the expenditures are education-related or that the items were purchased with personal funds (Recommendation 2.1); and
- perform a 100-percent review, or review a statistical sample, of the \$5,473,894 in Bridge the Gap expenditures that we did not review, to determine whether the expenditures were allowable, and if applicable, return the funds for any unallowable expenditures to the Department (Recommendation 2.2).

Oklahoma Comments and Our Response

We provided a draft of this report to Oklahoma for comment. We summarize Oklahoma's comments at the end of each finding and provide the full text of the comments at the end of the report.

Oklahoma Comments

Oklahoma did not state whether it agreed or disagreed with the findings and recommendations in the draft report. However, Oklahoma identified corrective actions that it has taken or plans to take.

In response to Finding 1, Oklahoma stated that it fulfilled its responsibility to use its GEER grant funds as Congress intended, and that the "alleged lack of documentation means ... that there was, perhaps, a lack of assurance, 'which also provides for less transparency ... which could potentially increase the risk of fraud and abuse.'" In its response, Oklahoma explained that corrective actions were underway. Oklahoma stated that it has tasked its Office of Grants Management, and, specifically, the Director of Grants Management, with oversight of the GEER grant program and other Federal grant funds, and that it has created a steering committee team to oversee its processes and to make recommendations and provide documentation regarding any future awards (GEER or otherwise). Oklahoma also stated that it has created and instituted an evaluation rubric to ensure the State makes the best choices regarding Federal grant funds and their intended purpose, and that it has published Federal grant fund competitive bidding guidance.⁸ Additionally, Oklahoma stated that it was in the process of creating a Grant Agreement template for grant recipients and their subrecipients, and a Uniform Guidance for Grants Information document for distribution to entities being awarded Federal funds. Oklahoma subsequently provided the Grant Agreement template.

In response to Finding 2, Oklahoma stated that it is making efforts to update and improve its processes and policies related to the administration and monitoring of its GEER grant funds and other Federal funds to ensure proper internal controls are in place and Federal laws and regulations are followed. Oklahoma also stated that it plans to work with entities to ensure compliance with oversight and reporting requirements. Oklahoma stated that the updated policies and procedures would be completed on or before November 1, 2022, and subsequently provided the updated policies and procedures. Regarding our assertion that Oklahoma lacked monitoring controls over the Bridge the Gap initiative, Oklahoma stated that it was working in a "high-pressure environment," and that it had acted in good faith regarding its Bridge the Gap initiative;

⁸ Oklahoma provided us with copies of its evaluation rubric and competitive bidding guidance.

but, to the extent that any deficiencies exist regarding the Bridge the Gap initiative, Oklahoma stated that they are wholly attributable to its contractor, ClassWallet, which provided assurance that its digital wallet platform would protect the State against potential fraud.

In response to Finding 3, Oklahoma stated that it takes cash management terms and conditions seriously, but that it was processing its GEER grant funds during an emergency (global pandemic). Nonetheless, Oklahoma stated that it has begun implementing new processes and policies reflective of the recommendations in the draft report, that will be fully implemented on or before November 1, 2022. Oklahoma subsequently provided policies and procedures that included a section on cash management.

OIG Response

Oklahoma's proposed corrective actions, if properly implemented to ensure compliance with applicable laws and grant requirements for future Federal funds, are responsive to three of the five recommendations relating to Finding 1 (Recommendations 1.2, 1.3, and 1.5), two of the four recommendations relating to Finding 2 (Recommendations 2.3 and 2.4), and three of the four recommendations relating to Finding 3 (Recommendations 3.1, 3.3, and 3.4). Specifically, the updated policies and procedures and other information that Oklahoma provided subsequent to its response appear to address the issues covered in these recommendations. However, its proposed corrective actions and updated policies and procedures are not responsive to the remaining two recommendations relating to Finding 1 (Recommendations 1.1 and 1.4), the remaining two recommendations relating to Finding 2 (Recommendations 2.1 and 2.2), and Recommendation 3.2.

Specifically, Oklahoma did not propose actions that address our recommendations that it provide documentation or a detailed written explanation of the GEER grant award process that it used, perform a review of Stay in School Fund microgrant recipients and confirm that all students were eligible to receive funds, return funds or provide documentation for the questionable Bridge the Gap expenditures that we identified, perform a review of and return funds for any other unallowable Bridge the Gap expenditures, and return any unexpended GEER grant funds. As such, during audit resolution, Oklahoma should work with the appropriate Department officials to ensure that corrective actions relating to the unaddressed recommendations are developed, implemented, and adequately address the issues identified.

Although Oklahoma attributed the deficiencies that we identified regarding the Bridge the Gap initiative to ClassWallet, it did not take advantage of an available ClassWallet internal control option, nor did it perform a review of the initiative's expenditures, as

noted in Finding 2 of this report. As the recipient of the GEER grant funds, Oklahoma was responsible for ensuring that its grant funds were used properly. Implementing the optional control would have allowed Oklahoma to more timely and better monitor whether grant funds were being used for allowable purposes.

Regarding our recommendation pertaining to the return of unexpended GEER grant funds, we obtained documentation after the conclusion of our audit work that supports that Oklahoma returned unexpended GEER grant funds to the Department. However, because this was done after the conclusion of our audit work, we are not able to verify whether all unexpended funds that were being maintained by Oklahoma's GEER grant subrecipients were returned. As such, Oklahoma should work with the appropriate Department officials to ensure that all unexpended GEER grant funds applicable to our audit scope have been returned to the Department.

We did not make any revisions to the findings and recommendations based on Oklahoma's comments or as a result of information submitted subsequent to our audit period.

Introduction

Purpose

The objectives of the audit were to determine whether the State of Oklahoma (Oklahoma) designed and implemented awarding processes that ensured that the Governor's Emergency Education Relief Fund (GEER grant) was used to support local educational agencies (LEA) and institutions of higher education (IHE) that were most significantly impacted by the coronavirus or LEAs, IHEs, or other education-related entities within the State that were deemed essential for carrying out emergency educational services; and monitoring processes to ensure that subgrantees used GEER grant funds in accordance with the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and other applicable Federal requirements. Our review covered March 13, 2020, through August 26, 2021.

Background

GEER Grant Authorized by the CARES Act

The CARES Act,⁹ signed into law on March 27, 2020, provides a total of \$30.75 billion for the Education Stabilization Fund, of which approximately \$3 billion was provided to Governors to make awards to LEAs, IHEs, and other education-related entities¹⁰ within each State through the GEER grant. Congress intended the GEER grant to be an emergency appropriation to address coronavirus-related disruptions and support a State's ability to continue to provide educational services to students and to support the ongoing functionality of the LEAs and IHEs. In accordance with section 18002(b) of the CARES Act, the Secretary of the U.S. Department of Education (Department) awarded GEER grant funds to Governors using the following factors: 60 percent of the State's allocation was based on the State's relative population of individuals aged 5 through 24, and 40 percent of the State's allocation was based on the relative number of children counted¹¹ under section 1124(c) of the Elementary and Secondary Education Act of 1965, as amended. Governors that received a GEER grant were required by the

⁹ Public Law No. 116-136.

¹⁰ The Department's Frequently Asked Questions About the GEER Fund document defines an education-related entity as a governmental, nonprofit or for-profit entity within the State that provides services that support preschool, elementary, secondary, or higher education.

¹¹ For example, children counted for the purposes of making Title I, Part A formula grants to local educational agencies, or the Title I, Part A formula count.

Department to designate a fiscal agent, which could be the Office of the Governor or another State agency, to administer the GEER grant. The fiscal agent is responsible for overseeing and monitoring all GEER grant activities in the State.

The Department was required to obligate funds by September 30, 2021, and States and their subgrantees are required to obligate funds by September 30, 2022. Unused funds must be returned to the Department.

Allowable Uses of GEER Grant Funds

Section 18002(c) of the CARES Act authorized GEER grant funds to be used to provide

- emergency support through grants to LEAs that the State educational agency (SEA) deems to have been most significantly impacted by coronavirus to support the ability of such LEAs to continue to provide educational services to their students and to support the ongoing functionality of the LEA;
- emergency support through grants to IHEs serving students within the State that the Governor determines have been most significantly impacted by coronavirus to support the ability of such institutions to continue to provide educational services and support the ongoing functionality of the institution; and
- support to any other IHE, LEA, or education-related entity within the State that the Governor deems essential for carrying out emergency educational services to students for authorized activities described in section 18003(d)(1)¹² of the CARES Act or the Higher Education Act of 1965, as amended, the provision of childcare and early childhood education, social and emotional support, and the protection of education-related jobs.

U.S. Department of Education's Administration of the GEER Grant

The Department notified Governors of their GEER grant allocations in April 2020 and provided guidance on how to apply for the funds. To receive the State's GEER grant

¹² Section 18003(d)(1) of the CARES Act authorizes LEAs to use GEER funds for any activity authorized by the Elementary and Secondary Education Act of 1965, as amended, including the Native Hawaiian Education Act and the Alaska Native Educational Equity, Support, and Assistance Act, the Individuals with Disabilities Education Act, the Adult Education and Family Literacy Act, the Carl D. Perkins Career and Technical Education Act of 2006, or subtitle B of title VII of the McKinney-Vento Homeless Assistance Act.

allocation, the Governors submitted a signed Certification and Agreement to the Department by June 8, 2020.¹³ The Certification and Agreement served as the application to receive funds under the GEER grant, as provided in section 18002(a) of the CARES Act. The Certification and Agreement included information on the State's planned use of the GEER grant funds and programmatic, fiscal, and reporting assurances. This included an assurance that within 45 days of receiving GEER grant funds, the State would submit to the Department an initial report detailing its process for awarding the funds to LEAs, IHEs, or other education-related entities, including the criteria for determining entities that are most significantly impacted by coronavirus or deemed essential for carrying out emergency educational services, and the State's methodology for formulating those criteria. The Certification and Agreement also included a requirement that States submit quarterly reports to the Secretary on their uses of funds.

To answer questions about information that may not be easily understood from reading section 18002 and other parts of the CARES Act, the Department issued a Frequently Asked Questions document.¹⁴ The Department also encouraged SEAs to consult with the Governor when making determinations of which LEAs were most significantly impacted by the coronavirus. In addition to the guidance document provided, the Department provided technical assistance to State agencies through conference calls to discuss their allocation methodologies and plans for using the funds, and to answer any questions they might have.

Oklahoma's GEER Grant Initiatives

The Governor of Oklahoma received \$39.9 million¹⁵ in GEER grant funds. The Governor identified the previous Secretary of State¹⁶ as the State program representative and the Executive Office of the State of Oklahoma (the Governor's Office) as the fiscal agent for the GEER grant. The Governor's Office allocated \$18 million to its Office of Educational Quality and Accountability (OEQA), \$12 million to its Statewide Virtual Charter School

¹³ The deadline was extended from its original date of June 1, 2020.

¹⁴ "Frequently Asked Questions About the Governor's Emergency Education Relief Fund (GEER Fund)," <https://oese.ed.gov/files/2020/10/FAQs-GEER-Fund.pdf> (last visited November 22, 2021).

¹⁵ Oklahoma received a total of \$39,919,354 in GEER grant funds. We rounded it down to the nearest dollar amount.

¹⁶ The previous Secretary of State, who was also Secretary of Education, was appointed by the Governor and served as the chief advisor to the Governor on public education issues and needs.

Board (SVCSB), \$8 million to its State Department of Education, and \$1 million to Tri-County Technical College (Tri-County).

OEQA's Initiative

OEQA used \$18 million in GEER grant funds for Oklahoma's Bridge the Gap (\$8 million) and Stay in School Fund (\$10 million) initiatives. OEQA contracted with ClassWallet, a financial services company, to administer the initiatives, including determining eligibility using Oklahoma's established guidelines (ClassWallet subcontracted this function to another company), awarding microgrants¹⁷ to eligible families, and facilitating payments to schools for the Stay in School Fund initiative. ClassWallet subcontracted with Facts Management, an applications management company, to administer the application process, including determining eligibility using Oklahoma's established guidelines, for the two initiatives. Families could apply for funding from one or both initiatives.¹⁸

The purpose of the Bridge the Gap initiative was to provide \$1,500 microgrants to qualifying families to purchase curriculum content, tutoring services, and technology. To qualify for the microgrants, the family had to be at or below 185 percent of the Federal poverty line. Families who were above the 185 percent Federal poverty line but were negatively impacted by the coronavirus pandemic, could qualify for the microgrant by submitting financial documentation to show the negative impact.

The purpose of the Stay in School Fund initiative was to provide financial assistance microgrants of up to \$6,500 to low-income families of students attending nonprofit private schools who have faced hardship or changes in income because of the coronavirus pandemic. To qualify for the microgrants, Oklahoma required a family's income to fall at or below 350 percent of the Federal poverty line¹⁹ and the student had

¹⁷ ClassWallet operates an online digital wallet payment platform and an e-commerce marketplace that facilitates payments to families and teachers and enables them to spend funds in an online marketplace. The digital wallet platform is a financial accounting system that stores microgrant recipients' funds and allows them to make payments online. A microgrant is an account established for a parent that provides funds directly to service providers that allows the parent to select education services, expenses, or materials to meet their needs.

¹⁸ Families could apply for one or both programs using the same application.

¹⁹ For example, 350 percent of the Federal poverty line was \$91,700 for a family of four.

to be enrolled at an approved non-profit private school²⁰ on March 15, 2020, and enrolled in the same school for the 2020–2021 school year, or a tuition-free school, a State-accredited addiction recovery school, or a school that subsidizes at least 90 percent of the cost to educate all its students.

SVCSB's Initiative

SVCSB received \$12 million in GEER grant funds for Oklahoma's Learn Anywhere Oklahoma initiative. SVCSB contracted with Edmentum, a provider of online digital curriculum and professional development content, to provide LEAs, private schools, and home school families access to digital curriculum and to provide public-school educators access to online professional development content. The initiative included two parts:

- Part 1 provided \$6.5 million for online educational content for students from public, charter, private, and home schools. Parents had to complete a form for the student through Edmentum to access the digital curriculum. There were no eligibility requirements.
- Part 2 provided \$5 million for public school educators to access online instructor-led courses and professional development. Each LEA was allocated between \$5,000 and \$20,000, based on student enrollment.

Oklahoma planned for the remaining \$500,000 to be used for helpdesk services and administrative costs for the initiative. However, \$419,685 of it was returned to the Department because it was not spent.

Oklahoma State Department of Education's Initiatives

The Oklahoma State Department of Education (OSDE)²¹ used \$8 million in GEER grant funds for its CARES Act Incentive Grants initiative, which OSDE stated was intended to help educators bridge the digital divide and strengthen distance learning in the wake of the coronavirus pandemic. OSDE provided grant packages to the LEAs that included an application, instructions on the application, and guidance on allowable and unallowable expenditures. Some of the allowable expenditures included Wi-Fi hot spots and online systems that support students in distance learning and training for teachers on how to

²⁰ An eligible school is a nonpublic school which has more than 10 students enrolled and educates Oklahoma children in grades K–12. Schools were required to pre-register to be eligible on ClassWallet's Oklahoma School Pre-Registration webpage.

²¹ The State Superintendent of Public Instruction oversees OSDE and is responsible for determining educational policy and directing the administration of the Oklahoma public school system.

teach students reading. By signing the application, the LEAs agreed to comply with all applicable GEER grant requirements.

According to Oklahoma's Deputy Chief of Staff and Chief of Government Affairs, in May 2021, Oklahoma allocated an additional \$2.9 million in GEER grant funds²² to OSDE to use for its Reallocation Grant program for LEAs. According to Oklahoma's grant award notification letter to OSDE, the purpose of the grant was to provide in-person opportunities for summer enrichment programs to address student learning loss. We did not include the Reallocation Grant in our review because the grant funds were not allocated or awarded when we began our fieldwork.

Tri-County's Initiative

Tri-County²³ used \$1 million in GEER grant funds for Oklahoma's Skills to Rebuild initiative to help meet the needs of local employers seeking individuals for high-demand jobs, thereby helping to rebuild the economy, by providing tuition waivers for students pursuing certificates in high-demand jobs, including nursing and computer networking.

²² Oklahoma reallocated \$1,982,991 in unused funds from the Bridge the Gap, Stay in School Fund, and Learn Anywhere Oklahoma initiatives and \$919,354 in GEER grant funds that Oklahoma never allocated to any of its initiatives.

²³ Tri-County is a public technology center accredited by Oklahoma Career Tech, the Oklahoma State Department of Education, and the National Communication Association: Commission on Accreditation and School Improvement and serves a three-county district within Northeastern Oklahoma. Skills to Rebuild participants did not have to be a resident of any of the three counties. Tri-County does not grant degrees.

Finding 1. Oklahoma Did Not Award All of its GEER Grant Funds to Entities in Accordance with the CARES Act, Federal Regulations, and Grant Conditions

For four of the five initiatives that Oklahoma funded with its GEER, Oklahoma could not support its stated processes for awarding funds to eligible entities that were either most significantly impacted by the coronavirus or deemed essential for carrying out emergency educational services, providing childcare and early childhood education, providing social and emotional support, or protecting education-related jobs. The four initiatives were Skills to Rebuild, Learn Anywhere Oklahoma, Bridge the Gap, and Stay in School Fund.

For these initiatives, Oklahoma described at a high level in its initial and follow-up reports to the Department the criteria and processes that it used to determine which entity categories (LEAs, IHEs, or other education-related entities) or priority areas (such as connectivity, learning management systems, and educational training for high demand careers) within authorized entity categories were most significantly impacted by the coronavirus or essential for carrying out emergency educational services. In the follow-up report, Oklahoma also included a brief explanation regarding how it made these determinations—specifically, that Oklahoma established the four initiatives noted above as mechanisms for addressing adverse impacts of the coronavirus and then selected entities to implement them. According to Oklahoma, its strategy was to ensure that all students with needs resulting from the coronavirus had the potential to access necessary funding to meet those needs. However, Oklahoma did not maintain any documentation related to its stated processes and awarding decisions, to include evidence of deliberations about which subrecipients should be responsible for administering the initiatives and why. Officials with whom we spoke also provided conflicting information.

The lack of such documentation has resulted in a lack of assurance that Oklahoma's selections of the three entities were the result of processes that sought to identify entities that were most significantly impacted by the coronavirus or essential for carrying out emergency educational services, providing childcare and early childhood education, providing social and emotional support, or protecting education-related jobs. The lack of such documentation also provides for less transparency into the awarding processes, which could potentially increase the risk of fraud and abuse in these processes.

For the fifth initiative (CARES Act Incentive Grants) that Oklahoma funded with its GEER grant, Oklahoma's OSDE designed and implemented an awarding process that ensured

\$8 million of its \$39.9 million²⁴ GEER grant was used to support LEAs that were most significantly impacted by the coronavirus, as determined by the State. We also found that the coronavirus areas of impact that OSDE included in its award process for the initiative aligned with the purpose of the GEER grant—to support LEAs most significantly impacted by coronavirus.

Also, in awarding GEER grant funds to entities for all five of its initiatives, Oklahoma did not adhere to Federal requirements for pass-through entities to clearly identify subawards to subrecipients and to provide those subrecipients with certain required information at the time of the subawards. Not performing these required procedures creates an increased risk of subrecipients not using GEER grant funds in accordance with Federal requirements and the terms and conditions of the GEER grant award.

Additionally, we tested the award processes for three initiatives for which the State awarded funds (CARES Act Incentive Grants, Bridge the Gap, and Stay in School Fund) to two entities—OSDE and OEQA. OSDE administered the CARES Act Incentive Grants initiative and OEQA disbursed its funds to another entity (ClassWallet) to administer the Bridge the Gap and Stay in School Fund initiatives. For these three initiatives, we found that, in general, the entities responsible for the initiatives adhered to award processes that OSDE and Oklahoma established for these initiatives; however, one of Oklahoma's GEER grant contractors did not require its subcontractor to adhere to Federal record retention requirements. Accordingly, we could not fully confirm the eligibility of 8 of the 10 students we sampled for the Stay in School Fund initiative. Without proper documentation there is no assurance that the Stay in School Fund microgrant eligibility determinations made by the subcontractor are supported or accurate.

Lastly, Oklahoma did not have written policies and procedures for entering into certain contracts that were funded with the GEER grant but for which competition was not required under State law. The lack of such written policies and procedures creates an increased risk of contractual awarding decisions not being adequately supported, which provides for less transparency into the process and could increase the risk of fraud, waste, and abuse.

²⁴ Oklahoma did not award \$919,354 of its \$39.9 million GEER grant award for its initial round of awards. Oklahoma returned the funds to the Department in February 2021.

Oklahoma's Award Process for Four of its GEER Grant Initiatives Was Not Fully Supported

Oklahoma allocated \$31 million in GEER grant funds to three entities to fund four initiatives: \$18 million to OEQA for the Bridge the Gap (\$8 million) and Stay in School Fund (\$10 million) initiatives, \$12 million to SVCSB for the Learn Anywhere Oklahoma initiative, and \$1 million to Tri-County for the Skills to Rebuild initiative. However, Oklahoma could not support its stated processes for awarding funds to these entities in accordance with the GEER grant requirement that they were either most significantly impacted by the coronavirus or deemed essential for carrying out emergency educational services, providing childcare and early childhood education, providing social and emotional support, or protecting education-related jobs.

Description of the Grant Award Processes

The Terms and Conditions of the GEER Fund included in Oklahoma's Grant Award Notification stated that within 45 days of receiving GEER funds, the State must submit to the Department an initial report detailing its process for awarding those funds to LEAs, IHEs, or other education-related entities, including the criteria for determining those entities that are most significantly impacted by coronavirus or deemed essential for carrying out emergency educational services, and the methodology used to formulate those criteria. Oklahoma submitted its required 45-Day Report in August 2020 and a clarification document, per the Department's request, in January 2021. The documents included descriptions of the initiatives that Oklahoma planned to fund with its GEER grant and taken together, described at a high level the criteria and processes that Oklahoma used to determine which entity categories or priority areas within authorized entity categories were most significantly impacted by the coronavirus or essential for carrying out emergency educational services. In the clarification document, Oklahoma also included a brief explanation regarding how it determined that the four initiatives noted above would be used as mechanisms for addressing adverse impacts of the coronavirus. The clarification document explained that in selecting entities to implement the initiatives, the previous Oklahoma Secretary of Education consulted with many education stakeholders, including the Governor, the current Secretary of Education, and the State Superintendent of Public Instruction to pitch and draft ideas for innovative ways to use the funds to help all students in Oklahoma.

In its 45-Day Report and clarification document, Oklahoma identified four entities²⁵ that would administer the four initiatives noted above, but only awarded funds to one (Tri-County) of the four entities to administer one of the four initiatives. For two of the remaining three initiatives, Oklahoma indicated that the Bridge the Gap and Stay in School Fund initiatives funds would be administered by ClassWallet, with support from the Oklahoma Private School Accrediting Commission and Every Kid Counts Oklahoma; however, the funds were awarded to OEQA, which then contracted with ClassWallet. For the remaining Learn Anywhere Oklahoma initiative, Oklahoma indicated that the funds would be administered by the Oklahoma Supplemental Online Course Program and the Oklahoma Public School Resource Center; however, the funds were awarded to SVCSB, which then contracted with Edmentum. Oklahoma did not document the deliberative processes it used to select the three entities (Tri-County, OEQA, and SVCSB) to which it awarded \$31 million in GEER grant funds for the administration of the Skills to Rebuild, Bridge the Gap, Stay in School Fund, and Learn Anywhere Oklahoma initiatives. In addition, during our audit, Oklahoma officials provided us with conflicting information regarding the process they used to identify and select the three entities.

Weaknesses in Overseeing Grant Awards

According to Oklahoma's former Secretary of State (who was responsible for overseeing the GEER grant when the funds were awarded to the State in July 2020), entities within the State were required to apply for GEER grant funds through Oklahoma's Office of Management and Enterprise Services (OMES). He said that he and other cabinet staff reviewed about 20 to 30 GEER grant applications that OMES passed on to them. The former Secretary of State also said that he discussed the applications with the Governor but could not speak to the processes used to select the three entities that received GEER grant funds because it was the Governor who made the awarding decisions.

We asked Oklahoma for the GEER grant applications that the former Secretary of State said he and cabinet members reviewed; however, neither the former Secretary of State, the current Secretary of Education, the Secretary of Budget, nor our former audit liaison²⁶ were able to locate and provide us with the applications. We talked to one of the cabinet members who the former Secretary of State said participated in the awarding process, and we asked him to describe the awarding process to us; however,

²⁵ The four entities include Tri-County for the Skills to Rebuild initiative, ClassWallet for the Bridge the Gap and Stay in School Fund initiatives, and both the Oklahoma Supplemental Online Course Program and the Oklahoma Public School Resource Center for the Learn Anywhere Oklahoma initiative.

²⁶ Our audit liaison stated that she spoke with others in Oklahoma to try to locate the grant applications, but no one could locate them. She did not provide the names of the individuals to whom she spoke.

the cabinet member said he was not involved with the GEER grant. Also, neither the previous nor current Deputy General Counsel for OMES's Legal Division were able to verify whether OMES ever received any GEER grant applications. In addition, we talked to the Executive Director of Oklahoma's SVCSB who was responsible for the administration of the Learn Anywhere Oklahoma initiative, and she stated that she did not submit an application to OMES. We also talked to the current Secretary of Education and ClassWallet's Chief Executive Officer, who were responsible for the conception of the Bridge the Gap and Stay in School Fund initiatives,²⁷ who stated that they did not submit an application to OMES and they gave verbal presentations to the former Secretary of State. We also talked to an official representing Tri-County who stated that he did not complete or send an application to OMES; rather, he created a proposal and sent it directly to the former Secretary of State.

In a letter to Oklahoma's Governor, we sought information about the four initiatives, including the names of the subgrantees associated with the four initiatives, whether the subgrantees had been selected because they were determined to be most significantly impacted by the coronavirus or deemed essential for carrying out certain emergency educational services, and the selection processes used to make these decisions. The response we received explained that the Governor was not involved in the selection process and that the selection process was handled by the former Secretary of State and the agencies he may have been working with. The response identified Tri-County and contractors Edmentum and ClassWallet as subgrantees of the four initiatives. For each initiative, the response listed the adverse effects of the coronavirus, and the actions Oklahoma could take to address them. The response did not explain how subgrantees of the GEER grant were selected. We attempted to follow up with the former Secretary of State to reconcile his description of the process with the descriptions provided by others in the State, but he did not respond.

According to sections 18002(c)(1) through (c)(3) of the CARES Act, the GEER Fund may be used to provide emergency support grants to LEAs and IHEs deemed most significantly impacted by coronavirus and any other IHEs, LEAs, or education-related entities in the State that the Governor deems essential for carrying out emergency education services to authorized students.

Additionally, the Department's Frequently Asked Questions about the GEER Fund provides guidance to States. Specifically, Question A-3 states that Governors may use GEER funds through a subgrant or contract to other LEAs, IHEs, and education-related

²⁷ The current Secretary of Education and ClassWallet's Chief Executive Officer were neither Governor's Office nor State employees when the three initiatives were being conceptualized.

entities deemed “essential for carrying out emergency educational services, providing childcare and early childhood education, providing social and emotional support, and protecting education-related jobs.” Question A-6 states that Governors must make the criteria for determining “most significantly impacted” publicly available, and states that SEAs are responsible for determining eligibility of LEAs while the Governor is responsible for determining the eligibility of IHEs.

In addition, according to 2 Code of Federal Regulations (C.F.R.) section 200.303(a) and (c) (effective through November 11, 2020), a non-Federal entity must establish and maintain effective internal control over its Federal award that provides reasonable assurance that it is managing its award in compliance with Federal statutes, regulations, and the terms and conditions of its award. These internal controls should be compliant with the Comptroller General of the United States’ guidance in “Standards for Internal Control in the Federal Government” or the Committee of Sponsoring Organizations of the Treadway Commission’s “Internal Control Integrated Framework.” The entity must also evaluate and monitor its compliance with statutes, regulations, and the terms and conditions of Federal awards.

Also, the U. S. Government Accountability Office Standards for Internal Control in the Federal Government section 10.03 states that internal control and “all transactions and other significant events” are to be clearly documented in electronic or paper copies of management directives, administrative policies, or operating manuals; properly maintained; and available to be examined.

Lack of Supporting Documentation

Oklahoma did not have controls in place to ensure that it could support that its awarding of GEER grant funds was conducted in accordance with the CARES Act and other Federal regulations. Specifically, Oklahoma’s Governor’s Office, which was ultimately responsible for Oklahoma’s GEER grant, did not require the GEER grant administrator (the former Secretary of State) to document the deliberative processes it used to select the entities that were awarded GEER grant funds for the administration of the Skills to Rebuild, Learn Anywhere Oklahoma, Bridge the Gap, and Stay in School Fund initiatives. Such accountability would have enabled Oklahoma to ensure that CARES Act requirements and other Federal regulations were being followed.

Oklahoma’s lack of documentation has resulted in a lack of assurance that Oklahoma’s selections of the three entities were the result of processes that sought to identify entities that were most significantly impacted by the coronavirus or essential for carrying out emergency educational services, providing childcare and early childhood education, providing social and emotional support, or protecting education-related jobs. In addition, the lack of documentation for awarding decisions provides for less

transparency into the awarding processes, which could potentially increase the risk of fraud and abuse in these processes.

OSDE's Award Process for the CARES Act Incentive Grants Initiative Was Generally Designed and Implemented in Accordance with the CARES Act, Federal Regulations, and Grant Conditions

For Oklahoma's CARES Act Incentive Grants initiative, OSDE designed and implemented an awarding process that ensured \$8 million of its GEER grant was used to support LEAs that were most significantly impacted by the coronavirus, as determined by the State. Oklahoma's CARES Act Incentive Grants is funded by \$8 million in GEER grant funds and \$8 million in Elementary and Secondary School Emergency Relief (ESSER) Grant Set Aside funds. To receive a CARES Act Incentive Grant (regardless of whether it would be funded by GEER or ESSER), LEAs had to apply.

OSDE assigned two reviewers to review each application and used a rubric to score each section based on a predetermined maximum number of points, for a total application score of up to 117 points (the scores of the two reviewers were averaged for each application).²⁸ To determine which LEAs would receive a CARES Act Incentive Grant funded by GEER grant funds, OSDE looked at how many points the LEA received on the sections of the application that explained how the LEA had been most significantly impacted by the coronavirus based on academic, physical and mental health, and economic and social factors, and gave bonus points to LEAs that received less than \$100 per student in ESSER Formula funds (these ESSER funds were previously provided to LEAs who applied for funds under a different grant program). LEAs that received a total of 9 to 17 points in those 2 sections were eligible to receive a CARES Act Incentive Grant funded by GEER grant funds.²⁹

To determine the maximum amount of funds an LEA could receive, OSDE assigned all LEA applications to one of five tiers, based on student enrollment. Table 1 presents the five tiers, the LEA enrollment size assigned to each tier, and the maximum amount of GEER grant funds LEAs in a particular tier is allowed to receive.

²⁸ All of the applications were initially reviewed by only two reviewers. However, if there was a situation in which there was a 23-point difference in the scores of the two reviewers, then a third reviewer was added, and all three scores were averaged.

²⁹ LEA applicants that did not receive a CARES Act Incentive Grant funded by GEER grant funds received a CARES Act Incentive Grant funded by ESSER Grant Set Aside funds.

Table 1. LEA Tiers and Maximum Award Amounts

Tier	LEA Enrollment Size	Maximum Award Amount
I	500 or fewer	\$50,000
II	501–1000	\$100,000
III	1,001–2,500	\$200,000
IV	2,501–7,499	\$300,000
V	7,500 or more	\$500,000

OSDE determined an LEA's allocated amount based on the amount of funds requested in their application, capping it at the maximum amount allowed for the tier. OSDE awarded GEER grant funds to 72 of the 360 LEAs that applied for the CARES Act Incentive Grant initiative.³⁰ OSDE notified the LEAs of their GEER grant allocation amounts. OSDE also informed the LEAs that they would receive their GEER grant funds on a reimbursement basis.

We sampled 11 of the 72 LEAs that received GEER grant funds to determine whether OSDE followed its awarding process. We confirmed that the application reviewers' scores supported OSDE's awarding decision for each LEA and found that the LEAs applied for the grant, received an award notification letter from OSDE, signed the required assurances, and if applicable, offered equitable services to nonpublic schools.³¹ We also confirmed that the amounts included in the LEAs' award notification letters agreed with the award amounts posted on OSDE's website.

OSDE posted to its website the criteria it used to allocate the \$8 million in GEER grant funds to LEAs. Oklahoma also included the criteria and the related processes that it used to determine LEA awardees and award amounts in the 45-Day Report it submitted to the Department.

³⁰ There are 547 LEAs in the State of Oklahoma.

³¹ We also sampled 10 LEAs that applied for a CARES Act Incentive Grants but were not awarded GEER grant funds. We found that the application reviewers' scores supported OSDE's awarding decision for these LEAs.

Oklahoma Did Not Follow Federal Regulations Regarding Subawards

Oklahoma did not follow Federal regulations regarding subawards when it disbursed \$39 million of its GEER grant to OSDE, Tri-County, SVCSB, and OEQA. According to the response to the letter we sent to Oklahoma's Governor, the GEER grant subgrantees for four of the GEER grant initiatives were Tri-County, Edmentum, and ClassWallet. However, in the Federal Funding Accountability and Transparency Act report that Oklahoma initially submitted to the Federal Subaward Reporting System,³² Oklahoma identified OSDE, Tri-County, the Executive Office of the State of Oklahoma, and the International Christian Crediting Association³³ as subgrantees of the five GEER grant initiatives. Oklahoma later revised its submission to identify OSDE, Tri-County, Edmentum, and ClassWallet³⁴ as the subgrantees for the five initiatives. The former Director of Statewide Operations informed us that she was not sure whether subaward numbers existed, therefore she created and reported them for OSDE, Tri-County, Edmentum, and ClassWallet.

Although Tri-County submitted a Federal fund certification form³⁵ in September 2020 that identified it as a subrecipient, the certification form did not clearly identify the terms of the subaward. Additionally, an Oklahoma official was required to sign the Federal fund certification as an acknowledgment that the form was received on behalf of the State. Oklahoma's current Secretary of Education did not sign the Federal fund certification until April 12, 2021. Oklahoma did not have a certification form for the other entities or any documentation relating to the subawards made to ClassWallet and

³² The Federal Subaward Reporting System collects data on executive compensation and first-tier subawards.

³³ The Executive Office was identified as the subgrantee for the Learn Anywhere Oklahoma and Bridge the Gap initiatives. The International Christian Crediting Association was identified as the subgrantee for the Stay in School Fund initiative.

³⁴ Edmentum was identified as the subgrantee for the Learn Anywhere Oklahoma initiative. ClassWallet was identified as the subgrantee for the Stay in School and Bridge the Gap initiatives.

³⁵ The Federal Fund certification form is a State form that required Tri-County to certify, among other things, that the GEER grant funds would be used on expenditure costs that were necessary due to the public health emergency with respect to the coronavirus, would retain documentation of all uses of the funds, and would be subject to any monitoring activities as deemed appropriate by Oklahoma.

Edmentum other than the signed contracts with them, which did not include any subaward language.

As such, Oklahoma did not clearly identify or document its GEER grant subgrantees, obtain the required subaward data (such as the subrecipients' unique entity identifier) from any of the above-named entities, document the subawards' period of performance start and end dates, or identify all requirements Oklahoma imposed on the subrecipients or the appropriate terms and conditions concerning closeout of the subawards as required by Federal regulations.

Federal regulation 34 C.F.R. section 76.302 requires the State to notify a subgrantee in writing of the amount of the subgrant, the period during which the subgrantee may obligate the funds, and the Federal requirements that apply to the subgrant.

In addition, 2 C.F.R section 200.331 states that all pass-through entities must ensure that subawards are clearly identified to the subrecipient when awarded, and must include required information, including the Federal Award identification number, the subrecipient's unique identifier, the subaward's period of performance dates, the total amount of Federal funds obligated, and the Catalog of Federal Domestic Assistance number and name. Further, the pass-through entity must identify all requirements it imposes upon the subrecipient to ensure the Federal award is used according to Federal requirements and any requirements the pass-through entity imposes on the subrecipient so the pass-through entity can meet its own responsibilities, including identification of any required financial and performance reports; a requirement that the subrecipient permit the pass-through entity and auditors access to the subrecipient's records and financial statements; and terms and conditions concerning the subaward's closeout.

In awarding GEER grant funds to entities, Oklahoma was not able to ensure that it followed Federal regulations regarding subawards because it did not require the GEER grant administrator (the former Secretary of State) to document decisions made regarding the awarding process, such as preparing plans or written processes governing the awarding of the grant funds. Such accountability would have enabled Oklahoma to ensure that CARES Act requirements and Federal regulations were being followed. Further, because of the lack of documentation we were unable to verify the process described to us by the GEER grant administrator and determine the process used to award the grant funds. Not adhering to Federal regulations regarding subawards and subrecipients increases the risk of subrecipients not using GEER grant funds in accordance with Federal statutes and the terms and conditions of the GEER grant award.

Oklahoma Did Not Ensure All GEER Grant Contractors Followed Record Retention Regulations

Oklahoma did not ensure that all contractors (including related subcontractors) it awarded GEER grant funds to followed Federal record retention regulations. Although Oklahoma included a records retention clause in its contract with ClassWallet,³⁶ Oklahoma did not have controls in place to ensure that ClassWallet included a records retention clause in any subcontracts that it entered into to complete its contractual work to ensure that related records were retained. ClassWallet did not include a record retention clause in its subcontract with FACTS Management.

Oklahoma contracted with ClassWallet, which subcontracted with FACTS Management, an applications management company, to determine a family's eligibility for the Bridge the Gap and Stay in School Fund initiatives that were funded by GEER grant funds. To be eligible to receive microgrants for the Stay in School Fund initiative, a student had to attend an eligible school³⁷ in the prior year and be enrolled at the same school in the current year. When a family applied for a Stay in School Fund microgrant, FACTS Management emailed the school to verify the student's enrollment and registration status. The school confirmed the student's status via email and FACTS Management input the enrollment and registration information into its system. However, FACTS Management did not retain all of these emails. FACTS Management's email retention policy was to automatically delete emails after 90 days.³⁸

In our test to determine whether FACTS Management awarded Stay in School Fund microgrants to eligible families and schools, we selected a nonstatistical random sample of 10 (0.5 percent) of 1,979 students who received microgrants. For 8 of the 10 students in our sample, we were not able to fully confirm whether they were eligible because Oklahoma could not provide supporting documentation to show that FACTS

³⁶ The record retention clause required ClassWallet to retain contract-related records for the duration of the contract or a period of seven years following completion or termination of the acquisition unless otherwise indicated in the contract terms.

³⁷ An eligible school is a nonpublic school which has more than 10 students enrolled and educates Oklahoma children in grades K–12. To be eligible, schools were required to pre-register on ClassWallet's Oklahoma School Pre-Registration Webpage.

³⁸ FACTS Management's email retention policy is a company policy; however, only the Stay in School Fund initiative was affected by the policy because the Bridge the Gap initiative did not require email exchange between the applicants and FACTS Management. All documentation for the Bridge the Gap initiative was submitted through FACTS Management's online portal.

Management contacted the schools to confirm the student's enrollment and registration status because FACTS Management did not retain the email documentation.

According to 2 C.F.R. section 200.333, all documents pertinent to a Federal award must be retained for 3 years from the date of submission of the final expenditure report or the quarterly or annual financial report (as applicable) for a subrecipient.

Because Oklahoma did not ensure that ClassWallet required FACTS Management to follow record retention requirements, Oklahoma does not have assurance that Stay in School Fund microgrant eligibility determinations made by FACTS Management are supported or accurate.

Oklahoma Did Not Have Written Policies and Procedures Relating to Noncompetitively Bid Contracts

Oklahoma's OMES Information Services Division (ISD) did not have written policies and procedures for entering into certain contracts for which State law did not require competitive bidding, such as the ClassWallet contract funded by Oklahoma's GEER grant. We noted that OMES ISD issued a two-page document in August 2013 ("OMES ISD Procurement Policies") that gives the Chief Information Officer (CIO) broad interpretive authority regarding State laws and rules around procurement and allows for situations, without limitation, where less extensive file documentation for noncompetitively bid solicitations is permissible. The document, however, does not provide guidance on circumstances under which this would be warranted, procedures to follow in such cases, or minimum documentation requirements.

Oklahoma's CIO oversees OMES ISD. OMES ISD is responsible for approving all information technology (IT) and telecommunication services and product purchases for all Oklahoma State agencies. On behalf of OEQA, OMES ISD entered into a noncompetitively bid contract with ClassWallet to build an IT platform that enabled families to apply for and receive GEER-funded microgrants and to facilitate recipients' use of funds through a digital wallet platform. Oklahoma used \$650,000 of the \$18 million GEER grant it disbursed to OEQA to pay ClassWallet. Both the CIO and the Director of OEQA signed the contract for Oklahoma. Because the ClassWallet contract was not competed, a situation that can increase the risk of misuse of Federal funds, we wanted to determine whether proper procurement policies and procedures were followed.

According to OMES' Deputy General Counsel, "[t]he CIO authority to contract directly rests in Title 62 Oklahoma Statute (O.S.) 34 and 35 ... and does not require competitive bidding." We reviewed the applicable sections of Oklahoma law and determined this to be the case. However, under 62 O.S. section 34.11.1 (H.1), the CIO is responsible for establishing, implementing, and enforcing policies and procedures for procuring IT for

State agencies that are consistent with the Oklahoma Central Purchasing Act. Further, under 62 O.S. section 34.11.1 (I), the CIO has the authority to negotiate IT contracts in accordance with the procedures outlined at 74 O.S. section 85.9D. We reviewed 74 O.S. section 85.9D and found that although it authorized the State Purchasing Director³⁹ to negotiate IT contracts in lieu of or in conjunction with bidding procedures to reduce acquisition cost, the law did not establish specific procedures for doing so.⁴⁰ The Deputy General Counsel also informed us that Oklahoma's contract with ClassWallet was not a sole source contract and that the sole source rules did not apply.

We asked the Deputy General Counsel to provide the procurement policies and procedures that the CIO was required to establish under 62 O.S. section 34.11.1(H.1); he stated that "the CIO does not have specific procurement policies and procedures referenced in the law, because the procurement process was delegated to the Central Purchasing Office and the State Purchasing Director for purposes of keeping uniformity between IT and non-IT procurements." The Deputy General Counsel explained that the CIO retains the authority to make determinations as to the specifics of the technology itself and to address any security or technology issues as it relates to the IT architecture and security of any IT procurement. He further stated that, "The CIO does have general policies and standards," and provided us with an internet link where those policies and standards were located. The Deputy General Counsel also stated that, "the policies and standards found at the link are not a limitation of the CIO authority to enter into noncompetitively bid contracts. The various statutes the CIO is cited in authorize multiple and independent authorities."

The link that the Deputy General Counsel provided was to the CIO's OMES ISD Procurement Policies—the two-page document mentioned above. This policy document provides that

[m]inimum mandatory standards established and enforced by ISD and accomplishment of the duties of the CIO and ISD pursuant to applicable [S]tate law may be carried out through the use of consolidation

³⁹ Oklahoma law provides that the CIO has the same authority regarding procurement of IT as the State Purchasing Director has for all acquisitions for State agencies as established in the Oklahoma Central Purchasing Act.

⁴⁰ 74 O.S. section 85.9D was repealed as of October 31, 2020.

contracts, enterprise agreements and high technology system^[41]
contracts as well as other means. Consistency with the Central
Purchasing Act and other applicable law, rules, policies and procedures
shall be interpreted by the CIO and deviation from such rules, policies
and procedures may occur as circumstances warrant such as, without
limitation, less extensive file documentation for noncompetitively bid
solicitations

The policy document—or any other documents referenced by the State—does not
provide examples of circumstances under which such deviations would be warranted,
procedures to follow in such cases, or minimum documentation requirements. All
discretion rests with the CIO.

In the case of the ClassWallet contract, the only documents maintained by the State,
other than the contract itself, were emails about contract terms. There is no
documentation explaining why the decision was made to acquire ClassWallet’s services
without competition or how ClassWallet was identified and selected as the vendor.

According to 2 C.F.R. section 200.317, a State must follow the same policies and
procedures it uses for its non-Federal fund procurements when procuring property and
services with its Federal award funds. Although Oklahoma complied with this regulation
when entering into a non-competitive bid contract with ClassWallet, Oklahoma’s
procurement policies and procedures need strengthening because they do not provide
for an appropriate level of transparency and accountability, particularly if Federal funds
are used for acquisitions.

The U. S. Government Accountability Office Standards for Internal Control in the Federal
Government section 10.03 states that, “Management clearly documents internal control
and all transactions and other significant events in a manner that allows the
documentation to be readily available for examination. The documentation may appear
in management directives, administrative policies, or operating manuals, in either paper
or electronic form. Documentation and records are properly managed and maintained.”

Oklahoma believed that the CIO’s OMES ISD Procurement Policies addressed the
requirements for noncompetitively bid contracts, including the ClassWallet contract.
However, because Oklahoma’s CIO OMES ISD Procurement Policies allow deviations
from Oklahoma’s Central Purchasing Act (such as allowing less extensive file

⁴¹ According to 62 O.S. section 34.11.1 (O)(1), a “[h]igh technology system means advanced
technological equipment, software, communication lines, and services for the processing, storing, and
retrieval of information by a [S]tate agency.”

documentation for noncompetitively bid solicitations) without written policies and procedures prescribing how such deviations should be documented or handled, there is an increased risk of contractual awarding decisions not being adequately supported, which provides for less transparency into the process and could increase the risk of fraud, waste, and abuse.

Recommendations

We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education require the Governor of Oklahoma to—

- 1.1 Provide documentation, or a full and detailed written explanation, of the process Oklahoma used to determine the initiatives it supported with GEER grant funds and the entities it selected to administer the initiatives.
- 1.2 Develop and implement a process to ensure that it documents the criteria and decisions made for awarding future GEER grant funds in accordance with applicable requirements.
- 1.3 Develop and implement internal controls to ensure that it administers current and future GEER grants in accordance with applicable Federal laws and grant requirements, including ensuring that grant subrecipients are provided the proper award documentation; and that any entity that is awarded Federal funds retains records relating to those awards in accordance with Federal requirements.
- 1.4 Perform a 100 percent review, or review a statistical sample, of the Stay in School Fund microgrant recipients to confirm that all students were eligible to receive GEER grant funds.
- 1.5 Develop and implement written policies and procedures to describe the specific circumstances under which deviations from procurement rules are warranted, including procedures about required documentation of such decisions for procurements that do not use competitive bidding but use Federal education funds.

We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education—

- 1.6 Take appropriate action if the documentation and other information provided by Oklahoma in response to the above recommendations does not support that the State followed applicable requirements.

Oklahoma Comments

Oklahoma did not state whether it agreed or disagreed with the finding and recommendations. Although Oklahoma stated that it fulfilled its responsibility to use its GEER grant funds as Congress intended, it agreed that a lack of documentation could result in a lack of assurance, which provides for less transparency and could potentially increase the risk of fraud and abuse.

Oklahoma identified corrective actions that it has taken or plans to take to address our finding and recommendations. Specifically, Oklahoma stated that the State Chief Operating Officer developed an advisory steering committee to make recommendations and provide documentation regarding any future awards, including GEER funds. Oklahoma also stated that the State Chief Operating Officer selected a project manager to oversee the committee. Oklahoma stated that it tasked its Office of Grants Management with providing Federal grant fund oversight and guidance to Federal grant award subgrantees, and that this office developed and implemented an evaluation rubric to help Oklahoma make Federal grant fund use decisions and document the process.

In addition, the Office of Grants Management was in the process of creating both a Grant Agreement template to be used between grant recipients and their subrecipients, as well as a Uniform Guidance for Grants Information document that will be distributed to entities awarded Federal funds. Oklahoma subsequently provided the Grant Agreement template. Finally, Oklahoma stated that its State Purchasing Director had published Federal grant fund competitive bidding guidance which Oklahoma stated addressed the use of Federal funds and provided guidance to administrators regarding any additional Federal requirements that go beyond the State's procurement laws and rules. Oklahoma provided us with documentation for some of the corrective actions that it stated it had implemented.⁴²

OIG Response

Oklahoma's proposed corrective actions, if properly implemented to ensure compliance with applicable laws and grant requirements for future Federal funds, are responsive to three of the five recommendations relating to Finding 1 (Recommendations 1.2, 1.3, and 1.5). Specifically, the updated policies and procedures and other information that Oklahoma provided subsequent to its response appear designed to address the issues covered in these recommendations. However, its proposed corrective actions are not responsive to the remaining two recommendations (1.1 and 1.4). Specifically, Oklahoma did not state whether it would provide documentation or a detailed written explanation of the GEER grant award process it used and review Stay in School Fund microgrant recipients to confirm that all students were eligible to receive GEER grant funds.

⁴² Oklahoma provided us with copies of its evaluation rubric and competitive bidding guidance.

Finding 2. Oklahoma's GEER Fund Monitoring Process Should Be Strengthened

The monitoring processes Oklahoma designed and implemented to ensure that subgrantees used GEER grant funds in accordance with the CARES Act and other applicable Federal requirements for four of the five initiatives it funded with the GEER grant (Skills to Rebuild, Learn Anywhere Oklahoma, Bridge the Gap, and Stay in School Fund) need strengthening. Specifically, there were no written monitoring policies and procedures, the monitoring activities that Oklahoma did conduct did not include a review of supporting documentation for information contained in the initiatives' weekly status reports, and Oklahoma did not conduct any other monitoring activities. In addition, Oklahoma did not have any monitoring controls in place that could have prevented the \$652,720 in Bridge the Gap purchases that did not appear to be education-related. Without a more robust monitoring process, there is an increased risk that GEER grant funds have been or will be used for unallowable purposes, as was the case with the Bridge the Gap initiative.

For the fifth initiative (CARES Act Incentive Grants), OSDE designed and implemented comprehensive reimbursement and monitoring review processes for its LEAs that ensured that the GEER grant funds were used in accordance with the CARES Act and other Federal requirements. Although we did not test a sample of expenditures for this initiative, we obtained examples of LEAs' reimbursement packets, which included the required purchase orders, requisitions, invoices, or receipts to support their reimbursement requests.

Monitoring Processes for Four Initiatives Lacked Supporting Documentation and Written Policies and Procedures

The monitoring processes Oklahoma designed and implemented for four of its GEER grant initiatives could be strengthened. Specifically, Oklahoma did not develop written policies and procedures for its monitoring processes, the monitoring processes for four initiatives did not include a review of expenditures to ensure that GEER grant funds were used for allowable purposes, and the processes did not require the entities administering the initiatives to submit documentation supporting the data included in their weekly status reports.

Description of the Monitoring Processes

On June 22, 2020, Oklahoma contracted with Shyft Partners⁴³ to provide project management services, which included monitoring efforts for Oklahoma's CARES Act projects. Shyft Partners' monitoring efforts were primarily focused on monitoring initiatives' milestone dates and metrics. In August 2020, Shyft Partners verbally agreed to include the five GEER grant initiatives in its monitoring efforts.⁴⁴

Oklahoma assigned a project manager or a sponsor to each GEER grant initiative.⁴⁵ The project manager or sponsor was responsible for completing and submitting weekly status reports to Shyft Partners. Shyft Partners assisted the project manager or sponsor with developing the metrics and timelines that would be included in the status reports. The status reports included key metrics (for example, number of new applications, number of new awards, funds available), budget balances, milestone data (such as description of milestone, start date, estimated completion date), and risk level (for example, "blue" means approved but not started, "green" means active and meeting metrics, "amber" means active with some concerns, and "red" means active with major concerns).

Shyft Partners reviewed the status reports to determine whether there were any risks identified with the initiative's status, and if applicable, discussed the issues with the project manager or sponsor to determine how the issues could be resolved. For example, the status reports for the Learn Anywhere Oklahoma initiative from September 4, 2020, to September 25, 2020, were assigned an "amber" risk level, which means the initiative was active, but the project sponsor had concerns about the initiative and it needed to be monitored closely. In the status reports, the project sponsor explained that there was a customer service issue with the contractor that was impacting the schools' ability to enroll students under the initiative. Shyft Partners discussed the issue with the project manager and sponsor to get it resolved, and then on the October 2, 2020, status report, the sponsor changed the risk level to "green," which means the initiative was active and on track.

⁴³ Shyft Partners is a company that provides project management and other services.

⁴⁴ The contract information was obtained from our correspondence with the partners of Shyft Partners.

⁴⁵ All the initiatives had both a project manager and a project sponsor except the Skills to Rebuild and Bridge the Gap initiatives, which only had a project sponsor. The project manager was responsible for the day-to-day operation of the initiative and for reporting. The project sponsor was ultimately responsible for the project.

Shyft Partners' contract ended in late January 2021. In February 2021, project managers or sponsors for the GEER grant initiatives began submitting the status reports every 2 weeks to Oklahoma's former Director of Statewide Operations for the Office of the State Chief Operation Officer (Director of Statewide Operations). The former Director of Statewide Operations monitored the initiatives by reviewing the status reports to identify management issues and to determine whether established milestones were completed. She was focused on keeping the initiatives on track and working with the project managers and sponsors to prepare for the close-out process.

Weaknesses of the Monitoring Processes

Oklahoma did not have written policies and procedures for the monitoring process described. In addition, although the status reports contained information on the amount of funds expended to date for each initiative, they did not include descriptions of the expenditures, nor did Oklahoma require the entities that received the GEER grant funds to provide documentation to support the reported expended amounts.

We also found that although the project managers or sponsors were required to submit status reports, Oklahoma did not require them to submit documentation to support the accuracy and completeness of the information included in the status reports. For example, a status report for the Skills to Rebuild initiative included the number of GEER grant-funded waivers that Tri-County awarded to students;⁴⁶ however, documentation to support the number of waivers awarded was not submitted with the report. Therefore, Oklahoma could not ensure that the number of tuition waivers that Tri-County reported was accurate.

Oklahoma officials performed limited monitoring of the two initiatives (Bridge the Gap and Stay in School Fund) administered by ClassWallet. Although ClassWallet provided the current Secretary of Education with status reports for the two initiatives, the reports did not include any expenditure data. Oklahoma's OEQA contract with ClassWallet provided Oklahoma access to ClassWallet's system to run reports with summaries of grant recipient-purchased items and related amounts; and according to ClassWallet's Chief Executive Officer, in August 2020, ClassWallet offered Oklahoma access to its system. However, the former Director of Statewide Operations did not request system access until February 2021. The former Director of Statewide Operations logged into the system once after receiving access.

⁴⁶ Tri-County gave waivers to students to cover the tuition costs for certificate programs in high demand occupations, such as nursing and computer networking. GEER grant funds were used to pay for the tuition costs.

According to Question A-11 of the Department's Frequently Asked Questions about the GEER Fund, the Governor must designate a State Agency as the fiscal agent to administer the GEER Fund. The fiscal agent is responsible for overseeing and monitoring all GEER Fund activities in the State.

Also, the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* Principle 10 states that management should design appropriate types of control activities for the entity's internal control system. Control activities help to reasonably ensure compliance with applicable requirements. Control activities also work to identify and address weaknesses in the system of internal controls. One such control activity is having written policies and procedures. Also, Oklahoma's Grant Award Notification, Enclosure 4, states that "all grantees and subgrantees must have procedures for determining the allowability of costs for their awards."

According to 2 C.F.R. section 200.303 (a) and (c), a non-Federal entity should establish and maintain effective internal control over the Federal award that provides reasonable assurance that it is managing the award in compliance with applicable Federal statutes, regulations, terms, and conditions. Further, the non-Federal entity must also evaluate and monitor its compliance with statute, regulations, and the terms and conditions of Federal awards.

According to 2 C.F.R. section 200.331, State grantees (pass-through entities) must establish monitoring priorities based on the risks posed by each subgrantee and monitor the fiscal activity of subgrantees as necessary to ensure that the subaward is used for authorized purposes; complies with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

The weaknesses we identified in Oklahoma's GEER grant monitoring processes can be attributed to the designated fiscal agent's lack of experience and understanding of the requirements for overseeing Federal grant programs. According to the former Director of Statewide Operations, the GEER grant was a small bucket of funds made available to Oklahoma at a time when they were rapidly deploying \$1.26 billion in Coronavirus Relief Funds and given the specific and separate nature of the GEER grant funds, as well as a change in personnel at the Secretary of State's Office, there may have been a lapse in communication relating to the monitoring of the grant funds. She further explained that the Secretary of State was the designated fiscal agent responsible for oversight of the GEER grant.⁴⁷ However, that office did not normally oversee Federal grant programs.

⁴⁷ Effective August 6, 2021, Oklahoma changed the person responsible for the oversight of the GEER grant to its Director of Grants Management.

The Department's GEER grant Certification and Agreement requires that the State and other entities comply with all applicable regulations and guidance, including the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in 2 C.F.R. part 200. This requirement contained references to Federal monitoring regulations. Therefore, Oklahoma should have been aware of its responsibilities regarding Federal monitoring requirements because the State attested to its awareness by signing Part D of the GEER grant Certification and Agreement. Without a more robust monitoring process there is an increased risk that the GEER grant funds are used for unallowable purposes.

Lack of Internal Controls Over the Monitoring of Bridge the Gap Grant Funds

Oklahoma did not use all available controls in ClassWallet's digital wallet system to monitor the expenditures of its GEER grant-funded Bridge the Gap initiative. ClassWallet provided Oklahoma with a document describing, among other things, the data flow associated with the Bridge the Gap initiative, and the available system controls. One control, which Oklahoma used, was to have an administrator specify the online vendors from which families with \$1,500 Bridge the Gap microgrants were allowed to purchase items. Another control was to have an administrator limit the items available for purchase to only those items that it had pre-approved as being education-related, which ClassWallet's Chief Executive Officer informed us that Oklahoma's current Secretary of Education declined to use.⁴⁸

When we asked the current Secretary of Education why the pre-approved purchases option was not used, he said that his understanding was that certain vendors had been removed from ClassWallet's digital wallet system because they did not line up with the purpose of the grant, and that Bridge the Gap grant recipients could only purchase items from the remaining vendors on ClassWallet's digital wallet system. The current Secretary of Education also stated that he gave blanket approval of all vendors on ClassWallet's system, and that the approval applied to items purchased from those approved vendors.

⁴⁸ Oklahoma's current Secretary of Education was not the Secretary of Education at the time he made the decision to not use the purchase pre-approval function. Instead, he was (and still is) the Executive Director of a nonprofit organization called Every Kid Counts Oklahoma. In his capacity as the Executive Director of Every Kid Counts Oklahoma, he participated in the contracting process between Oklahoma and ClassWallet and then Oklahoma's OMES wrote and signed the contract with ClassWallet. OEQA also signed the contract.

Although the current Secretary of Education’s understanding was correct as it relates to the approved vendor list, he did not consider that microgrant recipients were not limited in the types of items that they could purchase from these approved vendors on the digital wallet system. Vendors on the digital wallet system such as Home Depot, Lowes, and Staples sell many items that are not education-related, and we found that grant recipients purchased some of those items, as explained below.

Unallowable Purchases

Under the Bridge the Gap initiative, families were awarded \$1,500 microgrants (held in an online account for each family) to directly purchase educational products from the vendors included on ClassWallet’s digital wallet platform. If a family’s total expenditures exceeded \$1,500, they had to use their own funds to pay the difference. As explained in the section above, vendors on the digital wallet platform sell both education-related and noneducation-related items. When families made purchases on ClassWallet’s digital wallet platform, there were no controls in place to keep families from purchasing items that were not education-related.

To determine whether Bridge the Gap grant recipients purchased noneducation-related items, we analyzed the universe of 98,126 purchases (with accompanying product descriptions), that were paid for with \$6,126,614 of GEER grant funds⁴⁹ and identified 56 keywords representing products that did not appear to be education-related. Using analytical software, we identified 3,184 purchases⁵⁰ with product descriptions containing at least one of the 56 keywords. For each of those 3,184 purchases, we analyzed the entire product descriptions to determine whether the products were education-related. We found that all 3,184 purchases were for items that did not appear to be education-related. Those purchases totaled \$652,720. Some of those purchases included smartwatches, doorbells, sofas, televisions, and air conditioners.⁵¹

For a summary of the unallowable purchases by keyword see Appendix B. We did not perform any analysis on the remaining 94,942 expenditures, totaling \$5,473,894, that

⁴⁹ The 98,126 purchases do not include purchases that were later refunded.

⁵⁰ We only included purchases over \$25 in our analysis.

⁵¹ Because families were allowed to use their personal funds to help pay for items under a single transaction that in total exceeded their available grant funds, some of the 3,184 purchases we identified as not appearing to be education-related could have been paid for under such a transaction. However, with the documentation we were provided, it was not possible for us to make that determination.

did not match any of the keywords in our analysis; however, this universe may also include expenditures for noneducation-related products.

According to 2 C.F.R. section 200.331, State grantees (pass-through entities) must establish monitoring priorities based on the risks posed by each subgrantee and monitor the activity of subgrantees 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.

As demonstrated above, the decision to not take advantage of the digital wallet system's pre-approved purchases option resulted in grant recipients (families) using Bridge the Gap GEER grant funds to purchase items that were not education-related. Using the optional controls would have improved Oklahoma's efforts to monitor the allowability of grant expenditures, especially considering that grant recipients were allowed to use their own funds when making purchases that exceeded their \$1,500 grant allocation.

OSDE's CARES Act Incentive Grants Reimbursement and Monitoring Processes for LEAs Were Generally Designed and Implemented in Accordance with the CARES Act, Federal Regulations, and Grant Conditions

OSDE developed and implemented a GEER grant reimbursement process that provided reasonable assurance on the allowability of expenditures for which LEAs requested reimbursement with GEER grant funds. We also found that OSDE designed and implemented a monitoring process that ensured LEAs used GEER grant funds for allowable purposes.

OSDE's GEER Grant Reimbursement Process

OSDE developed and implemented a process to disburse GEER grant funds to applicable LEAs on a reimbursement basis that provided reasonable assurance on the allowability of expenditures. OSDE conducted a webinar and training that included topics such as allowable expenditures, guidelines, required assurances, and instructions on the application and reimbursement processes.

To receive GEER grant reimbursements, OSDE required LEAs to submit a claim form, which included the LEA's approved budget amount, purchase order numbers, account object codes, purchase dates, vendor names, and amount paid for each purchase. OSDE required LEAs to certify that the expenditures listed on the claim form were for the purposes and objectives set forth in the terms and conditions of the Federal award. OSDE also required LEAs to submit documentation, such as purchase orders, requisitions, invoices, and receipts, to support the reimbursement request. OSDE

reviewed the supporting documentation to determine whether the purchases were allowable under the CARES Act and other applicable Federal laws. OSDE uses a Reimbursement Request Review Checklist to document its review of the LEAs' expenditures. We reviewed some examples of the reimbursement packages and supporting documentation and found OSDE's reimbursement process to be sufficient for determining expenditure allowability.

OSDE's GEER Grant Monitoring Process

OSDE designed and implemented a monitoring process that provided an additional level of assurance that LEAs used GEER grant funds for allowable purposes. Specifically, OSDE developed a written monitoring plan called the CARES Incentive Grant Project 789 Sub-Grant Monitoring Tool.⁵² The monitoring tool includes requirements for LEAs to submit two mid-year evaluation reports and a final evaluation report⁵³ that include a summary of the LEA's grant activities, required deliverables, and a budget narrative describing funds spent on travel, equipment, supplies, services,⁵⁴ and other items. The first mid-year evaluation report was due on February 15, 2021. OSDE reviewed the reports for completeness and to ensure the information was consistent with data contained in requests for reimbursement and the LEA GEER grant agreement. OSDE also used the evaluation reports in its risk analysis to determine which LEAs would receive a desk or on-site monitoring review.

To determine the type of monitoring LEAs would receive, OSDE conducted a risk analysis that categorized each LEA as high risk, moderate risk, or low risk, using indicators such as the LEA's timely submission of progress reports and the quality of their financial reporting. OSDE could assign a maximum of 15 points to an LEA, with higher points representing higher risk.

OSDE classified LEAs that scored less than eight points as low risk, with no monitoring required. LEAs that scored between 8 to 12 points are classified as moderate risk and will be monitored by a desk review. LEAs that scored above 12 points are classified as high risk and will be monitored by an on-site review.

⁵² For the CARES Act Incentive Grant, OSDE awarded LEAs grant funds using \$8 million in GEER grant funds and \$8 million in Elementary and Secondary School Emergency Relief Set Aside funds.

⁵³ The second mid-year evaluation report was due on February 15, 2022, and the final evaluation report will be due by September 30, 2022.

⁵⁴ The CARES Act Incentive Grant Project 789 Sub-Grant Monitoring Tool defined contractual services as a contract for goods and services that could not be provided by existing LEA staff.

Of the 72 LEAs that received CARES Act Incentive Grants GEER grant funds, OSDE determined that 57 LEAs will receive no review, 11 LEAs will receive desk monitoring, and 4 LEAs will receive on-site monitoring. As of September 3, 2021, OSDE has conducted desk reviews of 10 LEAs that received a CARES Act Incentive Grant funded by either GEER grant funds or ESSER Grant Set Aside funds, to determine LEA compliance in the following areas: administration/purchasing, contractual services, travel, equipment, and supplies. OSDE used a Desk and Site Visit Monitoring Checklist to conduct the desk reviews. Based on our review of the checklist, we concluded that it was sufficient to assess compliance with grant requirements and to determine whether GEER grant funds were used for allowable purposes. OSDE did not identify any issues with the 10 LEAs that required corrective action. OSDE has placed on-site reviews on hold because of COVID restrictions; however, it plans to complete both the desk and on-site monitoring by May 31, 2022. The on-site reviews will use the same checklist as the desk reviews. Within 30 days following the desk or on-site monitoring review, OSDE plans to provide a report to the LEA that will include any violations identified and related corrective actions.

Recommendations

We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education require the Governor of Oklahoma to—

- 2.1 Return \$652,720 to the Department for the unallowable Bridge the Gap expenditures we identified or provide documentation to support that the expenditures were allowable or the items were purchased with personal funds.
- 2.2 Perform a 100-percent review, or review a statistical sample, of the \$5,473,894 in Bridge the Gap expenditures that we did not review to determine whether the expenditures were allowable, and if applicable, return the funds for any unallowable expenditures to the Department.
- 2.3 Develop and implement additional internal controls for the Skills to Rebuild, Learn Anywhere Oklahoma, Bridge the Gap, and Stay in School Fund initiatives that include written monitoring procedures for those processes that are already in place, and for additional procedures that include a review of expenditures and supporting documentation, and a review of documentation that supports the information in initiatives' weekly status reports.
- 2.4 Develop and implement internal controls to ensure that fiscal agents for Federal grant programs obtain an understanding of the rules and regulations surrounding the grant programs they are tasked with overseeing.

Oklahoma Comments

Oklahoma did not explicitly state whether it agreed or disagreed with the finding and recommendations; however, it identified corrective actions that it plans to take to address our finding and recommendations. Oklahoma stated that it began refining its processes and policies to ensure controls are in place to properly administer GEER grant and other Federal funds and is continuing to improve its monitoring processes and policies. Oklahoma stated that it planned to update its policies and procedures on or before November 1, 2022, and subsequently provided the updated policies and procedures. Oklahoma also stated that the Director for the Office of Grants Management plans to work with grantees to ensure compliance with oversight and reporting requirements throughout the bidding process.

Regarding the Bridge the Gap initiative, Oklahoma stated that it was working in a “high-pressure environment” due to the effects of COVID, acted in good faith, complied with all State procurement laws, operated in conformity with the congressional intent of the GEER program, and took appropriate measures on the front-end to ensure funds associated with Bridge the Gap initiative were properly expended when it contracted with ClassWallet. Oklahoma stated that it contracted with ClassWallet not only because ClassWallet represented itself as a subject matter expert, but because ClassWallet claimed its digital wallet platform “virtually eliminates the risk of fraud or misuse of funds.” In addition, Oklahoma stated that in its contract with the State, ClassWallet provided assurance that its digital wallet platform would protect the State against potential fraud. Oklahoma stated that to the extent that any deficiencies exist regarding the Bridge the Gap initiative, they are wholly attributable to ClassWallet.

OIG Response

Oklahoma’s proposed corrective action for Recommendation 2.3, if properly implemented, is responsive to our recommendation. Further, if the Uniform Guidance for Grants Information document discussed in Finding 1 is distributed to those entities overseeing Federal grant programs, including fiscal agents, in addition to those entities being awarded Federal funds, its implementation will be responsive to Recommendation 2.4. However, Oklahoma’s proposed corrective actions are not responsive to the two remaining recommendations (Recommendations 2.1 and 2.2). Specifically, Oklahoma did not state that it would return funds or provide documentation for the questionable Bridge the Gap expenditures that we identified and perform a review of and return funds for any other unallowable Bridge the Gap expenditures.

Oklahoma’s statement that any deficiencies relating to the Bridge the Gap initiative are wholly attributable to ClassWallet is not in line with Federal laws and regulations that require Oklahoma, as the recipient of the GEER grant funds, to ensure that its grant funds are used properly. As we state in the finding, Oklahoma did not take advantage of

the pre-approval of purchases option that ClassWallet offered for Bridge the Gap initiative expenditures, nor did Oklahoma perform a review of the initiative's expenditures, which resulted in grant recipients using Bridge the Gap GEER grant funds to purchase items that were not education-related. Implementing the optional control would have allowed Oklahoma to more timely and better monitor whether grant funds were being used for allowable purposes.

We did not change our finding or recommendations as a result of information submitted subsequent to our audit period.

Finding 3. Oklahoma Did Not Follow Cash Management Regulations

Oklahoma did not comply with the GEER grant award Federal cash management terms and conditions. On July 2, 2020, when Oklahoma drew down its entire GEER grant award of \$39.9 million, it did not minimize the amount of time between its drawdown of the funds and its disbursement of the funds to subrecipients, and it did not have an immediate cash need for the funds at the time of the draw down. It took Oklahoma 14 to 89 days to disburse \$39 million of the \$39.9 million to OSDE, Tri-County, SVCSB, and OEQA. Furthermore, three of those subrecipients which are State agencies (OSDE, SVCSB, and OEQA), did not begin disbursing the funds they received until 3 to 46 days after receiving the funds from Oklahoma. Oklahoma never disbursed the remaining \$919,354 that it had drawn down because it had no plans for the funds. Oklahoma returned the \$919,354 to the Department on February 3, 2021, 7 months after it had drawn down the funds.⁵⁵ Drawing down an excessive amount of funds without an immediate cash need increases the risk of mismanagement of the funds.

Oklahoma Did Not Have an Immediate Cash Need for Grant Funds It Drew Down or Minimize the Time Between Funds It Drew Down and Disbursed

On July 16, 2020, 14 days after Oklahoma drew down its GEER grant award, Oklahoma disbursed \$8 million to OSDE for the CARES Act Incentive Grants initiative for LEAs. Because OSDE's policy was to disburse the funds to LEAs on a reimbursement basis, and the first LEA did not submit a request for reimbursement until August 20, 2020 (49 days after Oklahoma drew down the award and 35 days after OSDE received the funds from Oklahoma), Oklahoma did not have an immediate cash need for the funds and Oklahoma did not minimize the time between its drawdown of the funds and OSDE's disbursement of the funds to the LEAs. In addition, as of August 2021, OSDE still had not disbursed \$1,351,352 of its GEER grant funds to LEAs because the LEAs had not requested the funds.

Oklahoma disbursed \$12 million⁵⁶ to SVCSB for the Learn Anywhere Oklahoma initiative on July 30, 2020, 28 days after Oklahoma drew down its GEER grant award. In addition,

⁵⁵ In May 2021, Oklahoma allocated the \$919,354 in GEER grant funds to OSDE for its Reallocation Grant.

⁵⁶ The \$12 million included \$11.5 million to Edmentum for students and LEAs to purchase online curriculum and \$500,000 to the Oklahoma Public School Resource Center for helpdesk services and administrative costs.

it was not until 4 days later, on August 3, 2020, that SVCSB signed a \$11.5 million contract with Edmentum, which was responsible for administering the initiative. Furthermore, it was not until September 14, 2020, 74 days from the time Oklahoma drew down the funds and 46 days from when SVCSB received the funds, that SVCSB disbursed the funds to Edmentum. Therefore, SVCSB did not have an immediate cash need for the funds, Oklahoma did not minimize the amount of time between its drawdown of the funds and its disbursement of the funds to SVCSB, and SVCSB did not minimize the time it took to disburse the funds to Edmentum. Edmentum returned \$419,684 of unused GEER grant funds (unspent administrative and helpdesk costs) to Oklahoma, which returned the funds to the Department on May 6, 2021, 10 months after Oklahoma's initial draw down of the funds. As of May 2021, Edmentum still had \$1,961,964 in unused GEER grant funds that were supposed to be used for students and LEAs to purchase online curriculum; those funds had not been returned to the Department as of August 6, 2021.

Oklahoma disbursed \$18 million to OEQA for the Bridge the Gap initiative (\$8 million) and the Stay in School Fund initiative (\$10 million) on August 14, 2020, 43 days after Oklahoma drew down its GEER grant award. On August 17, 2020, OEQA disbursed the funds to ClassWallet, with which it had signed an \$18 million contract on August 7, 2020, for administering the two initiatives. Therefore, OEQA did not have an immediate cash need for the funds, and Oklahoma did not minimize the amount of time between its drawdown of the funds and its disbursement of the funds to OEQA. ClassWallet returned to Oklahoma a total of \$1,563,307 in unused funds (\$1,504,720 from the Bridge the Gap initiative, \$56,629 from the Stay in School Fund initiative, and \$1,958 that ClassWallet did not distribute to either initiative). Oklahoma returned these funds to the Department on April 21, 2021, 9 months after Oklahoma drew down the funds. On August 3, 2021, ClassWallet also returned an additional \$62,150 in unused funds to Oklahoma, which returned it to the Department in August 2021, 13 months after drawing down the funds.

On September 29, 2020, Oklahoma disbursed \$1 million of its GEER grant funds to Tri-County for the Skills to Rebuild initiative. Because the disbursement occurred 89 days after Oklahoma drew down its GEER grant award, Oklahoma did not minimize the amount of time between its drawdown of the funds and its disbursement of the funds. Tri-County began awarding tuition waivers to students on July 15, 2020, using its own funds, and then reimbursed itself once it received the GEER grant funds. Table 2 summarizes the GEER grant funds disbursed, unspent as of August 2021, and returned for each subrecipient.

Table 2. GEER Grant Funds Disbursed, Unspent, and Returned

Subrecipient	Amount of Funds Disbursed to Subrecipient	Number of Days between Draw Down and Disbursal (Draw down occurred on July 2, 2020)	Number of Days Between Subgrantee's Receipt of Funds and When it Began Disbursing the Funds	Funds Unspent as of August 2021	Funds Returned as of August 2021
OSDE	\$8,000,000	14	35	\$1,351,352	\$0
Tri-County	\$1,000,000	89	0	\$0	\$0
SVCSB	\$12,000,000	28	46	\$1,961,964	\$419,684
OEQA	\$18,000,000	43	3	\$1,625,457	\$1,625,457

We looked for evidence such as emails, cash requests, and contracts that might demonstrate Oklahoma had an immediate cash need for the GEER grant funds it drew down. However, we found no evidence to support that any of the four subrecipients had an immediate cash need for the funds.

Oklahoma should have been aware of its responsibilities regarding Federal cash management requirements. The Department provided Oklahoma with a GEER Grant Award Notification, which contained references to Federal cash management regulations. Specifically, an attachment to the Department's Grant Award Notification, "Recipients of ED Grants and Cooperative Agreements Frequently Asked Questions on Cash Management," states that grantees and subgrantees receiving Federal grant funds are responsible for maintaining internal controls to manage Federal funds (2 C.F.R. 200.302 and 303) and to ensure that grantees and subgrantees are aware of the requirements for cash management (2 C.F.R. Part 200 subpart D). It also states that grantees must monitor both their drawdowns and those of their subgrantees to assure their cash advances are timely and for the proper amount needed. In order to receive funds, the Department required Oklahoma to sign a GEER grant Certification and Agreement. Oklahoma's signature on the Certification and Agreement signified an

attestation to comply with the cash management requirements. In addition, in the Department's G5 grants management system, grantees must certify that the funds they draw down are for the immediate needs of the program. The Department also provided States with technical assistance about the cash management requirements in its GEER Fund office hours sessions in August 2020.⁵⁷

According to 31 C.F.R. section 205.33(a),

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.

Oklahoma's noncompliance with cash management requirements could be attributed to the GEER grant fiscal agent not being familiar with how to administer Federal grant programs. The Secretary of State's office was responsible for oversight of the GEER grant; however, officials from the office do not normally administer Federal grant programs and may not have drawn down Federal funds in the past. A consultant (a former State Budget Office employee) who was working with OMES,⁵⁸ told us that the former Secretary of State gave her the directive to draw down 100 percent of the funds. Also, according to the former Director of Statewide Operations, amid a significant influx of Federal funding for the pandemic, she believed that the Secretary of State's Office confused the purpose of the GEER funding with Coronavirus Relief Funds. The Coronavirus Relief Funds were immediately made available to Oklahoma in full and she believes that the former Secretary of State drew down all of the GEER grant funds because he believed the process to be similar to the Coronavirus Relief Funds process.

⁵⁷ The Department held office hour sessions so that States could ask clarifying questions on reporting and other GEER grant-related topics.

⁵⁸ The consultant informed us that her former supervisor, the Oklahoma State Budget Director, and the former Secretary of State asked her to come back to work at the State to help with the Coronavirus Relief Funds.

Oklahoma did not identify a fiscal agent that had the appropriate experience with overseeing Federal grant funds as recommended in Department GEER grant guidance.

In addition, the Secretary of State's office did not have written cash management policies and procedures, including procedures for drawing down grant funds. According to 2 C.F.R. section 200.302(b)(6), the financial management system of each non-Federal entity must provide for written procedures to implement the requirements of 2 C.F.R. section 200.305.

According to Oklahoma's Director of Statewide Accounting, each agency that receives a Federal grant is responsible for establishing its drawdown process and would have their own written policies and procedures. Also, although OSDE had written cash management policies and procedures, it did not follow them. OSDE's cash management policies and procedures state that Federal fund payments to LEAs are drawn down for expenditures submitted by LEAs for reimbursement and approved by OSDE's program office. However, although OSDE's policy is to draw down funds as LEAs submit reimbursement requests, they still accepted the entire \$8 million in GEER grant funds and did not return the funds even while knowing that they did not have an immediate cash need for them.

Question A-11 of the U.S. Department of Education's Frequently Asked Questions about the GEER Fund states that the Governor must designate a State Agency as the fiscal agent to administer the GEER Fund. The fiscal agent is responsible for overseeing and monitoring all GEER Fund activities in the State. Therefore, it is recommended that the Governor designate an agency with appropriate experience in administering Federal grants. Effective August 6, 2021, Oklahoma changed the person responsible for the oversight of the GEER grant to its Director of Grants Management.

Also, according to 2 C.F.R. section 200.303, 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." It also states that the non-Federal entity must evaluate and monitor its compliance with statutes, regulations, and the terms and conditions of Federal awards and take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

According to 2 C.F.R. section 200.305(a), for States, payments are governed by Treasury-State Cash Management Improvement Act agreements and default procedures codified

at 31 C.F.R. Part 205 and Treasury Financial Manual 4A-2000, “Overall Disbursing Rules for All Federal Agencies.”⁵⁹

Although Oklahoma later returned its unused and unallocated GEER grant funds to the Department and subsequently reallocated those funds to OSDE under its Reallocation Grant, Oklahoma still maintained funds for up to 13 months that it did not use. Additionally, drawing down excessive amount of funds without an immediate cash need increases the risk of mismanagement of the funds.

After we issued the draft report, we found that Oklahoma returned an additional \$1,734,385 in GEER grant funds to the Department.⁶⁰

Recommendations

We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education require the Governor of Oklahoma to—

- 3.1 Develop and implement controls to ensure that Oklahoma’s State agencies that receive Federal funds have written cash management policies and procedures, including policies for the draw down and disbursement of grant funds in accordance with Federal requirements.
- 3.2 Return to the Department any unexpended GEER grant funds applicable to our audit scope that are being held by GEER grant subrecipients.
- 3.3 Develop and implement internal controls to ensure that fiscal agents for Federal grant programs obtain an understanding of the rules and regulations surrounding the grant programs they are tasked with overseeing.
- 3.4 Require its fiscal agent or State program representative to work closely with the Department to ensure that other GEER grants are administered in compliance with cash management rules and with any actions the Department determines are needed, if warranted.

⁵⁹ The Department awarded Oklahoma its GEER grant funds on May 1, 2020, and Oklahoma’s Fiscal Year 2021 Treasury State Agreement was approved June 30, 2020. We noted that the GEER grant was not included in the agreement.

⁶⁰ Oklahoma returned \$867,193 on October 16, 2021, and an additional \$867,193 on November 18, 2021.

Oklahoma Comments

Oklahoma did not explicitly state whether it agreed or disagreed with the finding and recommendations. However, Oklahoma stated that it had begun implementing new processes and policies reflective of the recommendations that would be fully implemented on or before November 1, 2022. Oklahoma subsequently provided its updated policies and procedures.

OIG Response

Oklahoma's proposed corrective actions, if properly implemented to ensure compliance with applicable laws and grant requirements for future Federal funds, are responsive to three of the four recommendations relating to Finding 3 (Recommendations 3.1, 3.3, and 3.4). We did not change our finding or recommendations as a result of information submitted subsequent to our audit period.

Regarding Recommendation 3.2, we obtained documentation after the conclusion of our audit work that supports that Oklahoma returned unexpended GEER grant funds to the Department. However, because this was done after the conclusion of our audit work, we are not able to verify whether all unexpended funds that were being maintained by Oklahoma's GEER grant subrecipients were returned. As such, Oklahoma should work with the appropriate Department officials to ensure that all unexpended GEER grant funds applicable to our audit scope have been returned to the Department.

Appendix A. Scope and Methodology

Our audit covered Oklahoma’s control activities related to the administration of the GEER grant. Specifically, our audit covered Oklahoma’s policies, procedures, and other controls to ensure that GEER grant funds were used to support LEAs and IHEs that were most significantly impacted by the coronavirus or LEAs, IHEs, or other education-related entities that were deemed essential for carrying out emergency educational services. Our audit also covered Oklahoma’s policies, procedures, and other controls to ensure that subgrantees used GEER grant funds in accordance with the CARES Act and other applicable Federal requirements. Our review covered Oklahoma’s GEER grant award and monitoring processes from March 13, 2020, through August 26, 2021. We conducted fieldwork virtually due to the national pandemic from November 30, 2020, through August 26, 2021. We performed testing on Oklahoma’s grant applications through January 2021, and expenditures through March 2021. We held an exit conference with Oklahoma officials on August 26, 2021, to discuss the results of our audit.

To achieve our audit objectives, we gained an understanding of the CARES Act, the Uniform Grant Guidance at 2 C.F.R. Part 200, and Department guidance relevant to our audit objectives, including the Department’s 2020 GEER Frequently Asked Questions. We reviewed 2 C.F.R. section 200.303 and the U.S. Government Accountability Office’s “Standards for Internal Control in the Federal Government.” We also reviewed requirements for managing Federal funds, including 2 C.F.R. section 200.302, Financial Management, and 2 C.F.R. section 200.305, Payment.

We also performed the following procedures:

- Reviewed the organization charts for the Governor’s Office, OSDE, OEQA, and SVCSB to determine those positions or personnel responsible for awarding, administering, and monitoring the GEER grant.
- Interviewed Oklahoma officials to obtain the rationale for selecting the Secretary of State’s office as the designated State agency to administer the funds and to gain an understanding of the processes used for determining how the GEER grant funds were appropriated, allocated, awarded, and used.
- Interviewed Tri-County officials and reviewed related documentation to gain an understanding of the Skills to Rebuild initiative.
- Interviewed SVCSB officials and reviewed related documentation to gain an understanding of the Learn Anywhere Oklahoma initiative.
- Reviewed Oklahoma’s GEER grant Certification and Agreement (application), its required 45-Day Report and clarification document submitted to the

Department, documentation related to the use of funds, and any communications with the Department to gain an understanding of how Oklahoma intended for the funds to be used.

- Reviewed Oklahoma's contracts with Edmentum for the Learn Anywhere Oklahoma initiative and with Class Wallet and its subcontractor FACTS Management for the Bridge the Gap and Stay in School Fund initiatives to gain an understanding of the contract terms and scope of work.
- Interviewed ClassWallet and FACTS Management officials to gain an understanding of the Bridge the Gap and Stay in School Fund initiatives.
- Reviewed OSDE's grant awards to LEAs and Oklahoma's awards to families under the Bridge the Gap and Stay in School Fund initiatives and tested a sample of these awards to determine whether OSDE (for the CARES Act Incentive Grants initiative) and Oklahoma (for the Bridge the Gap initiative and Stay in School initiative) followed their award processes (In the Sampling Methodology section of this report, see the CARES Act Incentive Grants initiative Samples, the Bridge the Gap initiative Samples, and the Stay in School Fund initiative Samples).
- Obtained and reviewed the status of Oklahoma's maintenance of effort waiver request.
- Reviewed and evaluated the criteria, policies, procedures, and internal controls OSDE used to determine which LEAs were most significantly impacted by the coronavirus.
- Reviewed Oklahoma's GEER grant drawdowns to determine whether Oklahoma complied with cash management regulations and guidance. We calculated the number of days between Oklahoma's receipt of the funds drawn down and the dates that Oklahoma allocated and expended the funds.
- Reviewed and evaluated OSDE's monitoring plan procedures for ensuring that GEER grant funds were used in accordance with the CARES Act and other applicable Federal requirements.
- Reviewed the status reports used to monitor Oklahoma's GEER grant initiatives to assess whether Oklahoma's monitoring efforts would ensure that subgrantees used GEER grant funds in accordance with the CARES Act and other applicable Federal requirements.

- Tested a sample of expenditures from the Bridge the Gap and Stay in School Fund initiatives to ensure that GEER grant funds were used in accordance with the CARES Act and other applicable Federal requirements.⁶¹ (In the Sampling Methodology section of this report, see the Bridge the Gap and Stay in School Fund Initiatives Samples.)

Sampling Methodology

To determine whether OSDE and Oklahoma followed their award processes for the CARES Act Incentive Grants, Bridge the Gap, and Stay in School Fund initiatives, we selected samples of LEAs and grant recipients to review. To test the reliability of the data that OSDE and Oklahoma used for the CARES Act Incentive Grants, Bridge the Gap, and Stay in School Fund initiatives, we also selected samples of LEAs and grant recipients to review. To determine whether GEER grant funds were used for allowable purposes, we performed an analysis of the Bridge the Gap initiative expenditures and selected a sample of grant recipients to review for the Stay in School Fund initiative.

The results of our testing apply only to the samples selected and cannot be projected.

The sections below describe the sampling in detail.

Cares Act Incentive Grants Initiative Samples

To determine whether OSDE followed its award process for the CARES Act Incentive Grants initiative we selected for review a sample of the LEAs that were awarded and a sample of LEAs that were not awarded a CARES Act Incentive Grant. We selected a nonstatistical stratified sample of 11 (15 percent) of the 72 LEAs that were awarded a CARES Act Incentive Grant, using two strata: LEA applications that were reviewed by three reviewers (18) and those that were not (54). We randomly selected one of the 18 LEAs that had a third reviewer. For the strata without three reviewers, we stratified the 54 LEAs into 5 tiers. We randomly selected eight LEAs (two each from tiers 1–4) and judgmentally selected the two LEAs in the fifth tier that had the largest award.

From the universe of 288 LEAs that were not awarded a CARES Act Incentive Grant, we selected a nonstatistical stratified sample of 10 (3.5 percent) LEAs using 10 strata: 5 tier

⁶¹ We did not review a sample of expenditures for the CARES Act Incentive Grants, Skills to Rebuild, and Learn Anywhere Oklahoma initiatives because we determined that the risk of an unallowable use of funds was low due to the how the funds were used. In addition, Edmentum, the contractor for the Learn Anywhere Oklahoma initiative, had a previous contract with Oklahoma.

levels⁶² with 2 score levels (high or low). The application scores equal to or less than the mean score of 76.32 were classified as low. Applications with a score greater than the mean score of 76.32 were classified as high. Each tier included a high and a low score, resulting in the 10 strata. We judgmentally selected the only LEA in tier 5 that had a low score. From the remaining nine strata, we randomly selected one LEA.

For the sample of 11 LEAs that received an award, we confirmed that the reviewers' scores supported the awarding decision for the LEA. We also confirmed that the LEA had submitted an application, received an award notification from Oklahoma, signed Oklahoma's required assurances, and if applicable, offered equitable services to nonpublic schools.

For the sample of 10 LEAs that did not receive an award, we confirmed that the reviewers' scores supported the awarding decision for the LEA, that the LEA submitted an application, and the LEA signed Oklahoma's required assurances.

To test the reliability of the award data, we downloaded the LEAs' CARES Act Incentive Grants application and award data that OSDE posted on its website and determined whether the sum of all the awarded funds equaled \$16 million. For the same 11 randomly selected LEAs we used in our award process testing, we determined whether those LEAs received an award notification and whether the awarded amounts matched. Table 3 shows the universe, sample sizes, and sampling methodologies related to our testing of the CARES Act Incentive Grants Initiative.

⁶²We used the five LEA enrollment tiers developed by OSDE. The five tiers are identified in Table 1.

Table 3. LEA Universes and Samples for the CARES Act Incentive Grants Initiative Testing

Testing Purpose	Universe	Sample Size	Methodology
Award Process (LEAs that were Funded)	72	11 (15.3 percent)	One LEA selected using a stratified random sample from LEAs with a third reviewer, and 10 LEAs selected using a stratified random sample from LEAs without 3 reviewers.
Award Process (LEAs that were Unfunded)	288	10 (3.5 percent)	Stratified LEAs into 10 strata based on tier level and score level, then judgmentally selected 1 LEA from 1 stratum and randomly selected 1 LEA from the remaining 9 strata.
Data Reliability (LEAs that were Funded)	72	11 (3.7 percent)	Same sample that was used to test the award process for LEAs that were funded.

Bridge the Gap Initiative Samples

To determine whether ClassWallet followed the award process established by Oklahoma for the Bridge the Gap initiative, we selected a random sample of 17 applicants (2 percent) from the universe of 961 applicants (students) whose total expenditures exceeded the \$1,500 grant limit and were potentially noneducation-related. For each of the 17 applicants, we confirmed that grant funds were awarded according to the eligibility criteria for the Bridge the Gap initiative. We verified that the applicant submitted an application and applicable required supporting documents. We recalculated their Federal poverty level percentage and determined whether they met the required income threshold at the time of their application.

To test the reliability of the award data, we recalculated each of the 17 applicants' Federal poverty level percentage, traced the income data to source documents, and determined whether Oklahoma's decision that the applicant qualified for Bridge the Gap grant funds followed Oklahoma's awarding process.

To determine whether grant funds were used for allowable purposes, we analyzed the universe of 98,126 purchases (with accompanying product descriptions), that were paid for with \$6,126,614 of GEER grant funds and identified 56 keywords representing products that did not appear to be education-related. Using analytical software, we identified 3,184 purchases with product descriptions containing at least one of the

56 keywords. For each of those 3,184 purchases, we analyzed the entire product descriptions to determine whether the products were education-related.

To test the reliability of the purchase data, we judgmentally selected three vendors' invoices to give us a significant amount of coverage of the purchases made by the applicants we sampled. These three invoices represented 23 (30 percent) of the 76 purchases made by 3 (18 percent) of the 17 applicants we sampled. We traced the purchases to invoices and other supporting documentation to determine whether the vendors received payment.

Table 4 shows the universe, sample sizes, and sampling methodologies related to our testing of the Bridge the Gap Initiative.

Table 4. Universes and Samples for the Bridge the Gap Testing

Testing Purpose	Universe	Sample Size	Methodology
Award Process	961 applicants	17 applicants (2 percent)	Random sample of applicants that expended over the \$1,500 GEER award amount.
Data Reliability	76 purchases	23 purchases (30 percent)	Judgmentally selected vendors' invoices to give us a significant amount of coverage of the purchases made by the applicants we sampled.

Stay in School Fund Initiative Samples

To determine whether FACTS Management followed the award process established by Oklahoma for the Stay in School Fund initiative, we selected a sample of 5 (5 percent) of 94 schools that received GEER grant funds. We judgmentally selected the five schools that received the largest amount of Stay in School grant funds. From the five schools, we randomly selected two applicants (students) from each school to test. For each of the 10 applicants, we verified that the applicant submitted an application and any required supporting documents. We recalculated their Federal poverty level percentage and determined whether the applicants met the required income threshold at the time of their application.

To test the reliability of the award data, we used the randomly selected sample of 10 applicants described above and traced the income data to source documents and recalculated their Federal poverty level percentage using the income data.

To determine whether grant funds were used for allowable purposes and to test the reliability of the data, we verified whether Oklahoma made payments to the nonprofit private schools attended by the ten applicants in our sample.

Table 5 shows the universe, sample sizes, and sampling methodologies related to our testing of the Stay in School Fund Initiative.

Table 5. Universes and Samples for Stay in School Fund Initiative Testing

Testing Purpose	Universe	Sample Size	Methodology
Award Process Step 1 (Schools)	94 schools	5 schools (5.3 percent)	Judgmentally selected schools that received the largest funding amount.
Award Process Step 2 (Students)	1,979 students that received grant funds from the 5 schools	10 students (0.5 percent)	Randomly selected two students from the five schools.
Data Reliability Award Data	1,979 students that received grant funds from the 5 schools	10 students (0.5 percent)	Randomly selected two students from the five schools (this is the same sample of students from the row above).
Data Reliability Payment Data	1,979 students that received grant funds from the 5 schools	10 students (0.5 percent)	Randomly selected two students from the five schools (this is the same sample of students from the rows above).

Unfunded Bridge the Gap and Stay in School Fund Testing

To also determine whether FACTS Management followed Oklahoma’s award process for Bridge the Gap and Stay in School Fund initiatives, we selected a nonstatistical sample of 10 applicants that were not awarded either a Bridge the Gap grant or a Stay in School Fund grant or applied for both and were awarded only one of the grants.⁶³ We divided the universe of 4,091 unfunded applicants into two strata. Strata I included 1,296 applicants that applied for one or both grants on or before August 16, 2020. We randomly selected four students from this stratum to test. Strata II included

⁶³ Some of the applicants in our sample applied for both initiatives.

2,795 applicants that applied for one or both grants after August 16, 2020. We randomly selected six students from this stratum to test.

For each applicant in both samples, we verified that the applicant submitted an application and required supporting documents. We recalculated their Federal poverty level percentage and determined whether the applicants met the required income threshold at the time of their application. We also reviewed the reason(s) the applicant did not qualify for a Bridge the Gap or Stay in School Fund grant and determined whether Oklahoma’s decision followed Oklahoma’s awarding process.

To test the reliability of the data, we used the random sample of 10 applicants and traced the income data to source documents and recalculated their Federal poverty level percentage using the income data.

Table 6 shows the universe, sample sizes, and sampling methodologies related to our testing of unfunded applicants for the Bridge the Gap and Stay in School Fund initiatives.

Table 6. Universes and Samples for Bridge the Gap and Stay in School Fund Initiatives
Unfunded Award Testing

Testing Purpose	Universe	Sample Size	Methodology
Award Process Step 1	4,091 unfunded applicants	10 unfunded applicants (0.2 percent)	Randomly selected applicants from the 2 strata described in the 2 rows below.
Award Process Step 2	Strata I: 1,296	Strata I: 4 (0.3 percent)	Randomly selected 4 applicants.
Award Process Step 3	Strata II: 2,795	Strata II: 6 (0.2 percent)	Randomly selected 6 applicants.
Data Reliability	4,091 unfunded applicants	10 unfunded applicants (0.2 percent)	The same sample of applicants described in rows 2 and 3 above.

Use of Computer-Processed Data

We relied, in part, on computer-processed data contained in ClassWallet’s financial management system and FACTS Management’s applications management system. We used the expenditure data from ClassWallet’s financial management system to

determine whether a sample of Bridge the Gap and Stay in School Fund initiative expenditures were used for allowable purposes. To test the reliability of the expenditure data in ClassWallet's financial management system, we traced the data from our unfunded and funded Bridge the Gap initiative and funded Stay in School Fund initiative samples to supporting documentation, such as invoices and third-party electronic transactions. To test the reliability of FACTS Management's applications management system, we used the data from our unfunded and funded Bridge the Gap initiative and funded Stay in School Fund initiative samples and compared the data to supporting documentation, such as income tax returns and other income documentation uploaded by families to the FACTS Management application system. We also recalculated the Federal poverty levels for the applicants in these samples. Based on the work we performed, we determined that the data was sufficiently reliable for us to use in meeting the audit objectives.

We also relied on computer-processed data obtained from the Department's G5 system. We used the G5 grants management system to identify the amount of GEER grant funds Oklahoma drew down and returned as of August 6, 2021. The G5 grants management system is the official system of record for the Department's grants data. As a result, we considered it to be the best available data for its intended purpose.

Compliance with Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B. Unallowable Bridge the Gap Purchases by Keyword

Keywords	Total Cost of Keyword Expenditures	Number of Expenditures	Examples of Products Purchased
Air conditioners	\$2,818	8	Window air conditioner
Arcade	\$3,883	42	Gaming table and arcade machine
Christmas Tree	\$978	3	Christmas tree
Cookware	\$6,952	131	Anodized 10-piece cookware set with tempered glass covers, and stainless-steel commercial cookware set
Dressers	\$13,227	46	Cherry 6-drawer dresser
Dryers	\$10,622	46	Electric dryer
Fireplaces	\$5,452	13	Media entertainment fireplace credenza
Futons	\$4,979	18	Storage futon and faux leather futon
Garmin Products	\$9,409	34	Portable GPS navigator
Gift Cards or Gift Baskets	\$1,270	17	Holiday gift basket and \$100 gift certificate
Heaters	\$20,393	144	Stainless steel patio heater and radiator heater
Loveseats	\$1,905	5	Fabric loveseat and vinyl loveseat
Mattresses	\$243	3	King mattress topper and air mattress
Phones or Phone accessories	\$15,854	174	Smartphone and gaming controller
Projectors	\$13,002	89	Home theater projector and wall projector screen

Keywords	Total Cost of Keyword Expenditures	Number of Expenditures	Examples of Products Purchased
Refrigerators	\$13,938	71	9.2 Cu. Ft. refrigerator with freezer and refrigerator water bottle holder
Ring Doorbells	\$23,950	179	Video doorbell and quick-release battery
Sofas	\$5,227	14	Deep-seating sofa and glass rectangle sofa table
Stoves	\$373	4	Electric stove and sugar-free chocolates
TV	\$228,517	817	HDTV antenna and TV stick
Washers	\$14,920	87	Gas pressure washer, top load washer, and dishwasher pods
Watches	\$146,663	385	Smart watches and wristwatches
Xbox	\$2,731	27	Gaming systems and components
Multiple Keywords ⁶⁴	\$105,414	827	Megapixel digital camera, portable media player PA system, digital signage, gas grill, 8-channel security system, twin bed, mower, and party speaker,
Total	\$652,720	3,184	-

⁶⁴ Multiple keywords include the following: bed, bike, business, gas, mower, security devices, signage, sink, trailer, bicycle, Bissell, blender, Bluetooth, bookcase, camera, chair, circuit, digitizer, doorbell, embroidery, fitness, GPS, La-Z-Boy, media player, oscillating, Roomba, sectional, signal booster kit, table, tool, trash can, treadmill, and video.

Appendix C. Acronyms and Abbreviations

Bridge the Gap	Bridge the Gap Digital Wallet
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
C.F.R.	Code of Federal Regulations
CIO	Chief Information Officer
Department	U.S. Department of Education
Director of State Operations	Director of Statewide Operations for the Office of the State Chief Operation Officer
ESSER	Elementary and Secondary School Emergency Relief
GEER grant	Governor's Emergency Education Relief Fund
IHE	Institution of Higher Education
ISD	Information Services Division
IT	information technology
LEA	Local Education Agency
OEQA	Office of Educational Quality and Accountability
Oklahoma	State of Oklahoma
OMES	Office of Management and Enterprise Services
O.S.	Oklahoma Statute
OSDE	Oklahoma State Department of Education
SEA	State Educational Agency
SVCSB	Statewide Virtual Charter School Board
Tri-County	Tri-County Technical College

Appendix D. Oklahoma's Comments

Steven Harpe
State Chief Operating Officer



J. Kevin Stitt
Governor

May 16, 2022

Teri L. Lewis, CGFM
Assistant Regional Inspector General for Audit
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RE: Control Number ED-OIG/A20GA0011

The State of Oklahoma (State) is in receipt of the United States Department of Education Office of Inspector General's (USDOE OIG) Confidential Draft Report (Draft Report) concerning the State's administration of the Governor's Emergency Educational Relief Fund (GEER). The State appreciates the opportunity for the advanced review and time to comment and welcomes an opportunity for additional collaboration prior to issuance of the final report.

Allow me to begin by saying that the State distributed GEER grant funds to get money for educational materials and resources into the hands of families and students reeling from the effects of the coronavirus pandemic. Like every other state, Oklahoma faced challenges associated with the coronavirus and the unprecedented global health crisis to which it gave rise. The crisis burdened every government agency with unexpected tasks, including the delivery of many new, but essential, services to the citizens of Oklahoma—including the awarding and distribution of Federal funds to GEER-eligible entities "that were either most significantly impacted by the coronavirus, as determined by the State, or deemed essential for carrying out emergency educational services, providing childcare and early childhood education, providing social and emotional support, or protecting education-related jobs."¹

As the Draft Report indicates, Federal auditors set out "to determine whether the State of Oklahoma . . . designed and implemented awarding processes that ensured that the [GEER grant] was used to support local educational agencies (LEA) and institutions of higher learning (IHE) that were most significantly impacted by the coronavirus or LEAs, IHEs, or other education-related entities within the State that were deemed essential for carrying out emergency education services; and monitoring processes to ensure that subgrantees used GEER grant funds in accordance with the [CARES Act] and other applicable Federal requirements."²

Based on my review of the Draft Report, Federal auditors arrived at three general conclusions: *first*, that "[f]or four of the five initiatives that Oklahoma funded with its GEER grant . . . Oklahoma could not support its stated processes for awarding funds to eligible entities that were either most significantly impacted by the coronavirus, as determined by the State, or deemed essential for carrying out [a plethora of] emergency educational services"³; *second*, that "[t]he monitoring processes Oklahoma designed and implemented to ensure that subgrantees used GEER grant funds in accordance with the CARES Act and

¹ See US DOE OIG Draft Report EG-OIG/A20GA0011 at 2.

² *Id.* at 1.

³ *Id.*

other applicable Federal requirements . . . need strengthening”⁴; and *third* and finally, that “Oklahoma did not follow cash management requirements.”⁵

In response to the Draft Report provided by Federal auditors employed by the USDOE OIG, the State provides the following commentary and again states that it welcomes additional dialogue and collaboration prior to the issuance of a final report:

I. The GEER Grant Awarding Process & the State’s Response

As the Draft Report makes clear, the United States Congress intended GEER grant funds to be an emergency appropriation to address coronavirus-related disruptions to state educational services and to support the ongoing functionality of LEAs and IHEs.⁶ To that end, the State of Oklahoma received \$39.9 million in GEER grant funds, which the designated fiscal agent allocated to four entities: the Office of Educational Quality and Accountability (OEQA); the Statewide Virtual Charter School Board (SVCSB); the State Department of Education (SDE); and Tri-County Technical College (Tri-County). In turn, these four entities used the GEER grant funds for five distinct initiatives, including: OEQA’s “Bridge the Gap” and “Stay in School” initiatives; SVCSB’s “Learn Anywhere Oklahoma” initiative; and SDE’s Cares Act Incentive Grants initiative.

Notwithstanding the Draft Report’s recommendations concerning the State’s use of the GEER grants funds, and the alleged lack of documentation that “has resulted in a lack of assurance that Oklahoma’s selections of the three entities [OEQA, SVCSB, and Tri-County] were the result of processes that sought to identify entities [in accordance with congressional intent],”⁷ the State maintains that it fulfilled its responsibility to use the funds as Congress intended; namely, to support those LEAs and IHEs that most significantly impacted by the coronavirus and/or those LEAs, IHEs, or other education-related entities deemed essential for carrying out emergency educational services. Simply because there is an alleged lack of documentation does not mean the State failed to fulfill its responsibility to use the GEER grant funds as Congress intended. It means, instead, that there was, perhaps, a lack of documentation that resulted in a lack of assurance, which “also provides for less transparency . . . which could potentially increase the risk of fraud and abuse.”⁸

While the Draft Report reiterates that there is an alleged lack of documentation regarding the administration of the GEER grant funds, the Draft Report also states—based on USDOE OIG’s own tests of the State’s award processes—“that, in general, the entities responsible for the initiatives adhered to award processes . . . established for these initiatives.”⁹

Although there may have been documentation issues as the State worked diligently to get funds to intended recipients, corrective action is well underway. As noted on page 30 of the Draft Report, on August 6, 2021, the State appointed the Director of Grants Management to oversee the GEER grant funds. The Office of Grants Management (OGM) is headed by the Director of Grants Management, who was hired in June of 2021. The OGM and Director of Grants Management were specifically created to provide the kind of oversight and guidance regarding the use of Federal grant funds identified in the Draft Report.

⁴ *Id.* at 4.

⁵ *Id.*

⁶ *Id.* at 6.

⁷ *Id.* at 12.

⁸ *Id.*

⁹ *Id.* at 13.

But the State has done more than hire a Director of Grants Management. In particular, the State has created and instituted an evaluation rubric to ensure the State makes the best choices regarding Federal grant funds and their intended purpose. The rubric also will provide better documentation of the decision-making process and generate additional efficiencies in the process of deciding how to use funds. The OGM helped create the evaluation rubric, attached for the USDOE OIG's review, and will use it in future funding decisions. *See* Exhibit A.

In addition to the evaluation rubric, the OGM is in the process of creating a Grant Agreement template to be used between the Grant recipient and subrecipients. Further, the OGM is in the process of creating a Uniform Guidance for Grants Information to be distributed to entities being awarded federal funds. The State requests the opportunity to collaborate with the USDOE OIG and invites USDOE OIG's feedback on the documents prior to finalization.

Moreover, the State's State Purchasing Director (SPD) has published competitive bidding guidance for the use of Federal grant funds, including GEER Grant funds. *See* Exhibit B. The guidance addresses the use of Federal funds and provides guidance to administrators regarding any additional Federal requirements that go beyond the State's procurement laws and rules. The announcement of this new policy reflects the State's proactive commitment to improving processes and other areas of concern identified in the Draft Report.

Lastly, I, the State Chief Operating Officer, have put together a steering committee team of advisors and selected a project manager to oversee the process and to make recommendations and provide documentation regarding any future awards, GEER or otherwise.

II. The Monitoring Process & the State's Response

In addition to the alleged lack of documentation regarding the State's use of the GEER grant funds and record retention requirements, the Draft Report also urged the State to strengthen its fund monitoring process. In pertinent part the Draft Report reads:

The monitoring processes Oklahoma designed and implemented to ensure that subgrantees used GEER grant funds in accordance with the CARES Act and other applicable Federal requirements . . . need strengthening. Specifically, there were no written monitoring policies and procedures, the monitoring activities that Oklahoma did conduct did not include a review of support documentation for information contained in the initiatives' weekly status reports, and Oklahoma did not conduct any other monitoring activities.¹⁰

While the State takes the USDOE OIG's audit comments seriously, the State is pleased to announce that it has already taken steps to refine its processes and policies to ensure proper internal controls are in place to administer GEER grant and other Federal funds. As explained above, the State is continuing to improve its monitoring processes and policies to ensure that all allotted funds follow Federal laws and regulations imposed on the grant funds. In addition to the guidance from the SPD, the Director of Grant Management will work with the appropriate entity to ensure compliance with oversight and reporting requirements throughout the process, including in the procurement contract and the State's internal policies and processes. The updated policies and procedures will be completed on or before

¹⁰ *Id.* at 27.

November 1, 2022. Before the State submits a version to the USDOE, the State hopes to collaborate with and secure input from the USDOE.

Next, the State pauses to respond directly to the Draft Report's special flagging of the State's alleged lack of internal controls over OEQA's Bridge the Gap initiative, one of the five initiatives funded with GEER grant funds. The OEQA used \$8 million in GEER grant funds for the Bridge the Gap initiative, which was intended "to provide \$1,500 microgrants to qualifying families to purchase curriculum content, tutoring services, and technology. To qualify . . . the family had to be at or below 185 percent of the Federal poverty line. Families who were above [that] line but were negatively impacted by the coronavirus pandemic could qualify for the microgrant by submitting financial documentation to show the negative impact."¹¹ The Draft Report further acknowledges that the "OEQA contracted with ClassWallet, a financial services company, to administer the Bridge the Gap initiative, including determining eligibility using Oklahoma's established guidelines [and] awarding microgrants to eligible families"¹²

To ameliorate the pressures of the pandemic, the State contracted with subject matter expert ClassWallet to maximize efficiencies and to ensure that money—which ClassWallet explicitly represented would be "used exclusively to obtain supplemental education materials and resources," *see* Exhibit C—could be delivered to struggling Oklahoma families and students. Despite the high-pressure environment in which the State was working, the State acted in good faith, complied with all state procurement laws, and, once again, operated in conformity with the congressional intent of the GEER program.

The State is, as I explained above, aware that the Draft Report identifies alleged deficiencies in some processes, including the fund monitoring process. However, the State urges USDOE OIG to review the State's contract with ClassWallet, which represented that it would "virtually eliminate[] the [State] against . . . fraud or misuse of funds." *See* Exhibit D. Put simply, despite ClassWallet's contentions to the contrary, the State maintains that, to the extent any deficiencies in fact existed, they were wholly attributable to ClassWallet. The State contracted with ClassWallet not only because of ClassWallet's representations that it was a subject matter expert but also because of ClassWallet's assurance that its digital wallet platform would protect the State against the potential fraud now at issue. *See* Exhibit D. Despite ClassWallet's failure to deliver on its contractual promises, the State took swift action to refine its processes. Today, the State's monitoring processes, described in more detail above, are robust.

Know also that months ago, and again recently, the State communicated to ClassWallet an expectation that it honor the terms of the contract and representations by which ClassWallet induced the State to contract. Should ClassWallet opt to further neglect clearly delineated responsibilities, the State is prepared to initiate legal action. In the meantime, we appreciate your anticipated acknowledgement that the State, by having contracted with ClassWallet, took appropriate measures on the frontend to ensure funds associated with Bridge the Gap were properly expended.

III. Cash Management Regulations & the State's Response

Federal cash management terms and conditions encourage Federal grant recipients to "minimize the amount of time between" its drawdown and disbursement of funds to subrecipients. Those same terms and conditions also call on recipients to wait to draw down funds until there is an immediate cash need.¹³ The State takes these terms and conditions seriously, but these were no ordinary times. So, although the

¹¹ *Id.* at 9.

¹² *Id.*

¹³ *See id.* at 36.

State takes allegations regarding the misuse of funds seriously, the State reminds the USDOE OIG that GEER grant funds were, like the \$1.26 billion CARES Act funds, processed during an emergency. GEER grant funds were processed as emergency requests were identified and addressed.

But the State recognizes that not all Federal grant funds will be disbursed during global pandemics. For that reason, the State has already begun implementing new processes and policies reflective of the recommendations included in the Draft Report. These new processes and policies will be fully implemented on or before November 1, 2022. Until then, and again, the State hopes to collaborate with the USDOE to finalize appropriate policies.

Allow me to end where I began: the State appreciates the opportunity for the advanced review and time to comment and welcomes an opportunity for additional collaboration prior to issuance of the final report. I hope this letter provides at least some clarity with respect to the observations and recommendations included in the Draft Report. Of course, if these responses generate additional questions or if the USDOE OIG needs additional information, please do not hesitate to contact Clay Holk, Director of Grants Management Office, or Jason Lawson, Deputy General Counsel for the Office of Management and Enterprise Services.

Again, we appreciate the opportunity to collaborate and hope to continue dialogue prior to the issuance of a final report. At the end of the day, we seemingly have a shared mission relative to the GEER grant funds—to ensure those most in need receive the educational experience they deserve.

Respectfully,

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Steven Harpe
State Chief Operating Officer

cc: Clay Holk – Director of Grants Management Office