



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE
SERVICES

September 21, 2016

Joy Hofmeister
State Superintendent of Public Instruction
Oklahoma State Department of Education
2500 N. Lincoln Blvd.
Oklahoma City, Oklahoma 73105-4599

Dear Superintendent Hofmeister:

This letter is to inform you of the results of the Office of Special Education Programs' (OSEP's) monitoring of the Oklahoma State Department of Education's (OKSDE's) procedures for ensuring compliance with the fiscal requirements of Part B of the Individuals with Disabilities Education Act (IDEA), the American Recovery and Reinvestment Act (ARRA) of 2009, and related statutes and regulations. In conducting its monitoring, OSEP reviewed publicly available information, State-submitted documentation, and Office of Management and Budget (OMB) Circular A-133 and Office of Inspector General (OIG) audits. OSEP also conducted 13 on-site visits as part of the Continuous Improvement Visits (CIVs) and conducted telephone interviews with all States in 2012. The reviews were conducted between the fall of 2010 and the fall of 2012.¹

The conclusions summarized in the enclosure are based primarily on a review of the State's procedures for specific fiscal requirements and other State-reported information collected by OSEP through the following: (1) the ARRA Monitoring Inventory (AMI); (2) the Critical Elements Analysis Guide (CrEAG) discussed during CIVs or telephone interviews; and (3) Maintenance of State Financial Support discussions during CIVs or telephone interviews. As warranted, OSEP referenced open findings made under OMB Circular A-133 or OIG audits that relate to a criterion in the attached enclosure and were sustained in a program determination letter (PDL).

The enclosure reports the results of OSEP's review of your State's fiscal procedures. It is organized by monitoring area and the criteria reviewed for each area. Each criterion includes the applicable regulatory or statutory requirements, and for any finding made, includes the source of information used in identifying noncompliance, and any required corrective actions. Because OSEP did not review data at the local level and all State-level data, OSEP cannot determine whether the State's systems are fully effective in ensuring that the State educational agency (SEA) and local educational agencies (LEAs) in your State meet all fiscal requirements of the IDEA. If no findings are indicated for a particular monitoring area, OSEP did not identify noncompliance in that area and did not provide any further comment.

¹ ARRA monitoring occurred between September 2010 and September 2012. OSEP conducted CIVs during the summer and fall of 2011. Telephone interviews for both CrEAG and Maintenance of State Financial Support occurred throughout 2012 and, in some cases, 2013.

Effective July 1, 2015, for IDEA Part B FFY 2015 grant awards, IDEA Part B funds are subject to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, codified in 2 CFR Part 200 and commonly referred to as the Uniform Guidance. The Uniform Guidance provisions in 2 CFR Part 200 replace provisions previously found in Education Department General Administrative Requirements (EDGAR) in 34 CFR Parts 74 and 80 and prior OMB Circulars A-87 and A-133. In addition, effective July 1, 2015, IDEA Part B funds are subject to the revised LEA maintenance of effort (MOE) regulations that were published in the Federal Register on April 28, 2015. See 80 Fed. Reg. 23644 (Apr. 28, 2015). The major changes in the revised LEA MOE regulations include: (1) clarification of the eligibility standard; (2) clarification of the compliance standard; (3) explanation of the Subsequent Years rule; and (4) specification of the consequences for an LEA's failure to maintain effort. In conducting its monitoring, OSEP reviewed State procedures that were in effect prior to July 2015. Therefore, the "Finding" and "Citation" sections of the enclosure include citations to the provisions in the EDGAR in 34 CFR Parts 74 and 80, prior OMB Circulars A-87 and A-133, and the LEA MOE regulations in effect prior to July 1, 2015. However, because the "Further Action Required" section of the enclosure addresses corrective actions the LEA must take after July 1, 2015, that section includes citations to the Uniform Guidance and the revised LEA MOE regulations.

OSEP identified noncompliance in the review of the OKSDE's fiscal systems as detailed in the enclosure, and has required corrective action. OSEP recognizes that in some instances, given the length of time between OSEP's monitoring and this letter, the State may have changed policies and/or procedures. If you believe that the State has corrected the noncompliance identified in the enclosure, please inform us and provide any relevant documentation, and OSEP will follow up in writing with your State.

Based upon the number of findings contained in this letter, OSEP encourages the State to conduct a comprehensive review of its fiscal systems to ensure its effectiveness in maintaining appropriate internal controls. In addition, as addressed in the enclosure under Criterion 2.1, OSEP has identified an unallowable expenditure of IDEA Part B funds used for Oklahoma's Rural Infant Stimulation Environment (RISE) program. Because OKSDE used \$552,594 of IDEA Part B funds to provide services to children who were parentally placed in the RISE program during State fiscal year (SFY) 2011, the IDEA Part B funds expended for the RISE program constitute an unallowable expenditure. Under section 453(a)(1) of the General Education Provisions Act (GEPA), a recipient that makes an unallowable expenditure is "required to return funds in an amount that is proportionate to the extent of the harm its violation caused to an identifiable Federal interest associated with the program under which the recipient received the award." 20 U.S.C. §1234b(a)(1); see also 34 CFR §81.32(a)(1). An identifiable Federal interest includes "providing only authorized services or benefits and complying with expenditure requirements and conditions." 20 U.S.C. §1234b(a)(2). Accordingly, the Department is seeking repayment from Oklahoma in the amount of \$552,594. For details on this finding of an unallowable expenditure, please see Criterion 2.1 in the enclosure; and for additional information on repayment and OKSDE's appeal rights, please see the attachment entitled "Repayment and Appeal Information."

OSEP appreciates the cooperation and assistance provided by your State staff on our monitoring of the State's procedures for ensuring compliance with fiscal requirements related to IDEA Part B funds. If you have any questions or wish to request technical assistance, please do not hesitate

to call your OSEP State Contact, Jocelyn Logan-Friend at (202) 245-6684, or Daniel Schreier, your OSEP Fiscal Accountability Facilitator at (202) 245-6652.

Sincerely,

/s/ Michael K. Yudin

Michael K. Yudin

Enclosures

cc: Dr. Rene Axtell

State Director of Special Education