

ESSER Funding Audit

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To: Board of Trustees
Stephanie S. Elizalde, Ed.D., Superintendent

From: Robert Rubel, MBA, CPA, CIA, CISA
Chief Internal Audit Officer

Subject: ESSER Funding Audit

Executive Summary

The Dallas Independent School District (District) Office of Internal Audit (OIA) has completed the ESSER Funding Audit.

The audit focused on the Elementary and Secondary School Emergency Relief (ESSER) II and III grant funding, administered by Special Revenue Fund Management (SRFM) within the Budget department. Auditors reviewed the program to determine if grant expenditures were tracked, allowable, and compliance requirements were met. This audit was conducted as a preliminary review of ESSER II and III funding, with the intention of revisiting on a continuous basis throughout the period of the grant.

Overall, the District has processes in place to track ESSER funded activities and comply with grant requirements.

Background

ESSER is a grant reimbursement program that has been authorized by the federal government in response to COVID-19. The program, administered by Texas Education Agency (TEA), is a one-time investment implemented in three concurrent phases: ESSER I, II, and III. Grantees may expend funds from any of the three grant programs; however, the programs all vary in reimbursement requirements and expenditure timelines, and, as such, must be tracked separately. The primary difference in spending requirements lies within ESSER III, which requires 20% of funds to be spent on mitigating learning loss. Below is a summary comparison of the three grants.

Table 1 - ESSER I, ESSER II, and ESSER III Side by Side Requirements			
Topic	ESSER I (CARES Act)	ESSER II (CRRSA Act)	ESSER III (ARP Act)
Fund Code	266	281	282
Start Date for Pre-award Costs	March 13, 2020	March 13, 2020	March 13, 2020
NOGA End Date before Carryover	September 30, 2021	September 30, 2022	September 30, 2023
Period of Availability including Carryover	March 13, 2020 - September 30, 2022	March 13, 2020 - September 30, 2023	March 13, 2020 - September 30, 2024
Amount Allocated to DISD	\$61,983,103	\$241,732,386	\$542,896,598

As funding is administered by TEA, the District must first submit a grant application detailing the proposed use of the funds. Once approved, TEA will issue a Notice of Grant Award (NOGA). Funds must be spent in accordance with the grant application and NOGA. Once expended, the District submits drawdowns to TEA for reimbursement.

The intent of the ESSER statute is to prevent, prepare for, or respond to the COVID-19 pandemic, including its impact on the social, emotional, mental health, and academic needs of students. As such, any allowable use of funds to be charged to the ESSER grant must be reasonable and necessary, the District must justify the use of funds to the intent of the ESSER statute, and the District must align it to an allowable activity in the statute.

In order to ensure the funds are spent in alignment with the program intent, the District formed an ESSER committee and requested stakeholder input from employees, the Board, and community members to determine the best use of the funds.

Collaboration across District departments is crucial to ensure grant compliance. SRFM reviews ESSER expenditures to provide oversight and determine if funds are allowable and meet the intent of the program as well as verify that expenditures have adequate documentation to support the use of funds. Procurement aides in purchasing goods and services funded by ESSER and ensures purchases made with these funds comply with federal purchasing regulations. HCM provides staffing services to help implement the grant intent. Accounting Services submits the reimbursement drawdowns and ensures accounting records accurately reflect grant activity.

Scope

This audit focused on ESSER II and ESSER III funds as ESSER I funds have already been allocated, spent, and audited by the District's third-party financial statement auditors. The audit focused on transactions from the December 2021 through January 2022 reimbursements for ESSER II, and November 2021 through March 2022 reimbursements for ESSER III; and, certain other matters, procedures, and transactions outside that period were reviewed to understand and verify information during the audit period.

Objective

Review the District's processes, procedures, and controls surrounding ESSER funding and reimbursement. Review grant requirements for ESSER funding and determine if expenditures are allowable and in compliance with established rules and regulations.

Methodology

OIA reviewed TEA and SRFM's internal procedures related to ESSER requirements, interviewed key personnel, conducted walkthroughs, and performed the following:

1. ESSER Plans - OIA reviewed the District's Use of Funds Plan, including efforts for stakeholder input for how funds should be used. OIA also reviewed the Safe Return to In-Person Instruction and Continuity of Services Plan to determine if compliance requirements were met. OIA reviewed the grant applications and NOGAs to determine if use of funds was in line with stakeholder input and the Use of Funds Plan.
No exceptions were noted.
2. Expenditure Testing - OIA reviewed the reimbursement drawdown packets for December 2021 for ESSER II and January 2022 for ESSER III from Accounting Services and tied reimbursement amounts back to the General Ledger Account Actuals reports from Oracle. From the General Ledger Account Actuals reports, auditors tested samples for the following types of transactions:
 - A. Payroll Expenditures: To determine if payroll expenditures reimbursed with ESSER funds were allowable and in compliance with established policies, rules, and regulations, auditors performed the following:
 - Regular Pay – Auditors judgmentally selected seven employees for ESSER II and nine employees for ESSER III and reviewed job descriptions to determine if appropriate based on ESSER intent. Auditors compared job position details to the grant application to determine if allowable.
No exceptions were noted.
 - Supplemental Pay – Auditors judgmentally selected three and ten supplemental payments from ESSER II and III, respectively and reviewed the following:
 - Supplemental payment activities were allowable and appropriate based on the intent of the ESSER program and grant applications.
 - Supporting documentation for supplemental activities were completed and retained appropriately.
No exceptions were noted.
 - Time and Effort – Using the Employee Summary Report, auditors reviewed employees whose time is split between ESSER funded activities and non ESSER funded activities. Auditors noted that for the time period under review no employees were split funded with non ESSER activities using ESSER III funds, and five employees were split funded using ESSER II funds. Auditors tested all five employees to determine if time and effort documents were retained and were properly documented.
No exceptions were noted.

B. Non-Payroll Expenditures: To determine if goods and services purchased with ESSER funds were allowable and in compliance with established policies, rules, and regulations, auditors performed the following:

- Fixed Assets – Auditors judgmentally selected two fixed asset samples from ESSER III only, as ESSER II did not have any fixed asset purchases for the period under review, and tested for the following:
 - Assets were allowable and appropriate based on the intent of the ESSER grant.
 - Assets were properly tracked in TIPWeb.
 - Assets could be physically located.No exceptions were noted.
- Goods and Services – Auditors judgmentally selected two expenditures from ESSER II and four expenditures from ESSER III and reviewed for the following:
 - Expenditures were allowable and appropriate based on the intent of the ESSER grant.
 - Expenditures were properly approved.
 - Required documentation was completed and retained to support the expenditure.
 - Goods/services were received prior to payment.
 - Expenditures were made within the grant period of availability.
 - Where applicable, obtained bid files and ensured the following documents were completed as a part of the solicitation process:
 - Cost analysis
 - Vendor Q&A
 - Advertisements
 - Evaluation templateNo exceptions were noted.

Primary criteria used for this audit were:

- 1) ESSER I, II, and III Side by Side Requirements Document, not dated
- 2) 2020-2022 CRRSA ESSER II Federal Grant Application, dated February 17, 2022
- 3) 2020-2023 ARP ESSER III Federal Grant Application, dated March 11, 2022
- 4) Education Department General Administrative Regulations (EDGAR) 74.40, dated December 2008
- 5) Purchasing Manual, dated December 1, 2021
- 6) ESSER I, II, and III FAQ, dated as of March 21, 2022
- 7) Texas Education Code 44.031, Purchasing Contracts, dated May 27, 2022
- 8) Code of Federal Regulations § 200.317 – 200.327, dated May 20, 2022

Audit Observations and Recommendations

No observations or recommendations were identified for this audit of ESSER expenditures.

Conclusion

This audit was conducted as a preliminary review of ESSER II and III funding, with the intention of revisiting on a continuous basis throughout the period of the grant. Overall, the District has processes in place to track ESSER funded activities and comply with grant requirements.

We would like to thank SRFM, HCM, Payroll, Procurement, and Accounting Services for their cooperation and assistance with this audit.

The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Those standards require OIA to plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. OIA believes the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

Respectfully submitted,

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