

Continuous Monitoring ESSER Funding Audit

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Date: November 10, 2022

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

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

Subject: Continuous Monitoring – ESSER Funding Audit

Executive Summary

The Dallas Independent School District (District) Office of Internal Audit (OIA) has completed the Continuous Monitoring – 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 is conducted 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. As funding is administered by the Texas Education Agency (TEA), ESSER activities are required to be monitored to ensure that federal grant awards are used for authorized purposes, in compliance with federal statutes, regulations, and terms and conditions. Additionally, TEA will conduct fiscal monitoring reviews of grants each year of the period of availability based on their Annual Federal Fiscal Risk Assessment.

Grant applications detailing the proposed use of funds are submitted by the District and the Notice of Grant Award (NOGA) are issued once applications get approved by TEA. Funds must be spent in accordance with the grant application and NOGA. Once expended, the District submits drawdowns to TEA for reimbursement.

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.

The District's website provides an ESSER II and III Budget dashboard. The dashboard provides a detailed look at the funds spent by each activity for the fiscal year. The amounts are updated monthly to reflect the most recent data available, which might lag by a month.

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. This audit focused on transactions from the March 2022 through July 2022 reimbursements for ESSER II, and April 2021 through September 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

The objective for this Continuous Monitoring – ESSER Funding Audit was to review the District's processes, procedures, and controls surrounding ESSER funding and reimbursement; and to 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, and performed the following:

1. Pre-Award Costs Testing - OIA reviewed the Fiscal Year (FY) 2021 pre-award costs transactions for both ESSER II and III from drawdown packets provided by Accounting Services and tied the amounts back to the journal entry details. From the journal entry details, auditors selected six samples for ESSER II and five samples for ESSER III and tested the following:
 - Expense category was allowable under ESSER applications
 - Expense occurred during the pre-award period (March 13, 2020, to NOGA date)No exceptions were noted.
2. ESSER Plans – OIA reviewed the Safe Return to In-Person Instruction and Continuity of Services Plan to determine if compliance requirements were met.
No exceptions were noted.
3. Expenditure Testing – OIA reviewed the reimbursement drawdown packets from January 2022 to May 2022 for ESSER II and from February 2022 to June 2022 for ESSER III from Accounting Services and tied reimbursement amounts back to the General Ledger Accounting Actuals reports provided by Accounting Services. 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 selected three employees for ESSER II and three employees for ESSER III and reviewed job descriptions and offer letters 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 selected three and eight 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 three employees were split funded using ESSER II funds. Auditors tested all three 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 selected one fixed asset sample from ESSER II and four samples from ESSER III 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
 - Assets were properly disposed if applicableNo exceptions were noted.

- Goods and Services – Auditors selected six expenditures from ESSER II and 12 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 Continuous Monitoring ESSER Funding audit.

Conclusion

This audit was conducted as part of a continuous review of ESSER II and III funding, as ESSER I funds have already been allocated, spent, and audited by the District's third-party financial statement auditors. 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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