



Internal Audit

Continuous Audit - ESSER Funding

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ESSER Funding**

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Date: November 9, 2023

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

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

Subject: Continuous Audit – ESSER Funding

Executive Summary

The Dallas Independent School District (District) Office of Internal Audit (OIA) has completed the Continuous Audit – ESSER Funding for the period under testing.

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 in compliance with local, state, and federal regulations. 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. Funding is administered by the Texas Education Agency (TEA) who monitors ESSER activities to ensure that these federal grant awards are used for authorized purposes and in compliance with federal statutes, regulations, and terms and conditions.

Grant applications detailing the proposed use of funds are submitted by the District and once approved by TEA, a Notice of Grant Award (NOGA) is issued. 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 essential 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. Human Capital Management (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. Auditors reviewed transactions from the following:

- ESSER II – drawdowns submitted for reimbursement in March 2023 through June 2023 for expenditures made in January 2023 through May 2023
- ESSER III – drawdowns submitted for reimbursements in April 2023 through June 2023 for expenditures made in January 2023 through May 2023

Objective

The objective for this Continuous Audit – ESSER Funding is 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 the District's procedures related to ESSER requirements, interviewed key personnel, and performed the following:

1. ESSER Plans – OIA reviewed the District's website for the Return to In-Person Instruction and Continuity of Services Plans to determine if the plan describes how the District will ensure continuity of services, including but not limited to services to address students' academic needs and students' and staff social, emotional, mental health and other needs.
No observations were noted; however, results were communicated to SRFM for review.
2. Expenditure Testing – OIA obtained and reviewed the reimbursement drawdown packets noted in the scope above and tied reimbursement amounts back to the General Ledger Accounting Actuals reports provided by Accounting Services to verify expenditures requested for reimbursement reconciled to the accounting records. Auditors then conducted the following for the drawdowns under review:
 - A. Payroll Expenditures: Auditors used the Payroll Distribution report showing the details for payroll transactions charged to ESSER funds to perform the following:
 - Regular Pay – Auditors reviewed the payroll details for regular salaried payments, and using the job title descriptions and locations selected any abnormal or unusual payments and verified with SRFM if allowable and appropriate under ESSER.
No observations were noted.
 - Supplemental Pay – Auditors selected three and six 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 observations were noted; however, results were communicated to SRFM for review.

- Time and Effort – Using the Employee Summary Report from Oracle, auditors reviewed employees whose time is split between ESSER and non ESSER funded activities to verify a time and effort form was completed.

No observations were noted.

B. Non-Payroll Expenditures: Auditors used the General Ledger Account Actuals reports showing details for nonpayroll expenditures to perform the following:

- Fixed Assets – Auditors selected one and four fixed asset samples from ESSER II and ESSER III, 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 applicable.

No observations were noted; however, results were communicated to SRFM for review.

- Goods and Services – Auditors selected six expenditures from ESSER II and seven 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 template

No observations were noted; however, results were communicated to SRFM and Procurement for review.

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 February 17, 2023
- 4) Education Department General Administrative Regulations (EDGAR) 74.40, dated December 2008
- 5) Purchasing Manual, dated April 1, 2023
- 6) ESSER I, II, and III FAQ, dated as of August 8, 2023
- 7) Texas Education Code 44.031, Purchasing Contracts, dated May 27, 2022
- 8) Code of Federal Regulations § 200.317 – 200.327, dated March 1, 2023

Audit Observations and Recommendations

No observations or recommendations were identified for this testing period of the Continuous Audit - ESSER Funding.

Conclusion

This audit was conducted as part of a continuous review of ESSER II and III funding.

Overall, the District has processes in place to track ESSER funded activities.

We would like to thank SRFM, HCM, 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,

Robert Rubel

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

Cc: Pamela Lear, Ed.D., Deputy Superintendent, Chief of Staff and Racial Equity Officer
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Acknowledgments:

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Shelly Kelley, CPA, Director, Internal Audit
Claire Chen, CPA, CISA, Auditor II

Definition of Risk Level

Risk Level	Definition
High	<p>High probability of occurrence that would significantly impact District operations and have a significant financial or compliance risk.</p> <p>These observations are defined as an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of the District.</p>
Medium	<p>Risks are considered to be substantially undesirable and pose a moderate level of risk exposure to District operations. Without appropriate controls, the risk will happen on a consistent basis.</p>
Low	<p>The risks are considered to be undesirable and could moderately expose the District. Without appropriate controls, the risk will occur some of the time.</p>