



Internal Audit

Continuous Audit - ESSER Funding

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Date: May 15, 2024

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 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 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. ESSER II funding has been fully obligated for allowable activities between March 2020 and September 2023. Goods and services obligated by the deadline may continue to be received and paid during the liquidation period (October 2023 through January 2024). Auditors reviewed transactions from the following:

- ESSER II – drawdowns submitted for reimbursement in June 2023 through September 2023 for expenditures made in June 2023 through September 2023
- ESSER III – drawdowns submitted for reimbursements in June 2023 through February 2024 for expenditures made in June 2023 through January 2024

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. 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 two and eleven 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 verified that no split funded employees exist within ESSER. 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 three 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.
- Goods and Services – Auditors selected two 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 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 August 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, 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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