



# Elementary and Secondary School Emergency Relief (ESSER) Monitoring: Beyond The Top 10 Observations

2024 Pennsylvania Federal Programs  
Coordinators (PAFPC) Conference

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# Agenda

1. Why we monitor
2. The top 10 observations
3. Beyond the top 10 observations



# Why we monitor

# ESSER grant funding is not “business as usual”

- Dollars allocated and allowable uses for ESSER funds varied greatly from annual recurring grant programs.
- The Pennsylvania Department of Education (PDE) increased total grant funding administered from approximately \$800 million to approximately \$8 billion after ESSER was awarded.
- In FY22 alone, ESSER made up 54% of total grant expenditures made by PDE.

# ESSER funded many activities to respond to COVID-19

The activities ESSER funded included:

- The global pandemic took students out of their classrooms requiring novel approaches to fund the impacts on education
- With students at home, educators had to invest in remote learning technology, training, and curriculum to avoid learning loss
- To help make classrooms safer, ESSER funded construction and capital projects to reduce the potential for viral transmission in classrooms and other facilities
- Significant investments were made for historically underserved groups of students with a focus on teacher to student ratios
- Strategic planning for safe reopening of school operations was eligible for reimbursement to get students back into the classroom



# US Department of Education Office of the Inspector General (OIG) ESSER audit Subrecipient observations

- **Subrecipient did not adhere to procurement requirements:** OIG identified one expenditure for which the Subrecipient failed to document adequate reasons as to why the transportation vendor was selected in the procurement process.
- **Subrecipient did not adhere to equipment acquisition requirements:** OIG identified one expenditure where a Subrecipient purchased a piece of unallowed equipment. In addition, OIG also identified the purchase of four pieces of equipment with no prior approval request submitted to the State Education Agency (SEA).

# How Subrecipients can help mitigate OIG ESSER observations (page 1 of 2)

- Adhere to procurement requirements and/or strengthen current procurement policies and procedures to align with Federal requirements
- Confirm adequate equipment and property management policies are robust and include approval requirement thresholds, allowability, recording, and general management
- Recognize, record, and reconcile award amounts and purchases, and fully support all ledger entries

# How Subrecipients can help mitigate OIG ESSER observations (page 2 of 2)

- Retain sufficient supporting documentation for expenses to include purchase approvals, procurement, purchase orders, invoices, receiving confirmation, payment, etc.
- Remove ineligible or unsupported recorded expense entries from ESSER claims
- Document processes for the management and treatment of Federal funds





# The top 10 observations

# The top 10 ESSER observations

1. No contract provisions
2. No purchase order (PO) and/or invoices
3. Closeout: Final Expenditure Report (FER) does not match General Ledger (GL) at Object Code Level
4. Closeout: No budget revision submitted
5. No interest tracking procedures
6. No MWE steps
7. No sole source justification
8. No cost price analysis
9. No competitive procurement
10. No price or rate quotations

# A closer look at the top 10 observations

Many of the top 10 observations fall into the categories of procurement or closeout. There will be sessions on each of these topics during the PAFPC conference. Please reference those conference presentations for additional information on these topics.

The presentation titles are:

- The Pro(Cure) to Federal Procurement Compliance
- Finishing Strong: Mastering American Rescue Plan (ARP) ESSER and Closeout



# Beyond the Top 10 Observations

# No PO and/or invoice

- Guidance can be found in 2 CFR 200.403(g)
- **Risk:** Failure to follow required internal purchasing procedures could result in the deobligation or loss of the Subrecipient's funding.
- **Corrective actions:** (1) Locate the missing PO / invoice in question, or (2) Consider removing the expenditure in question from the grant if you are unable to locate the missing documentation
- **Common practices:** Train staff to periodically test the purchasing process for consistency and adequacy

# No interest tracking procedures

- Guidance can be found in 2 CFR 200.305(b)(8)
- **Risk:** Failure to track and monitor interest earned with ESSER grants could result in de-obligation or loss of the Subrecipient's funding.
- **Corrective actions:** (1) Establish an internal system for tracking and recording interest earned to make sure that interest amounts that exceed \$500 are returned to the U.S. Department of Health & Human Services (HHS). (2) Adopt a formal Cash Management Policy or similar that outlines the steps for interest tracking and remittance.
- **Common practices:** Conduct periodic reviews of interest tracking procedures to ensure compliance with grant requirements and remit excess interest income to PDE as needed.

# No debarment or suspension checks

- Guidance can be found in 2 CFR 200.214
- **Risk:** Failure to perform checks before awarding contracts could result in claw-backs or loss of funding if the contractor(s) are barred or suspended.
- **Corrective actions:** (1) Perform debarment and suspension checks for vendors to ensure they are not actively excluded from doing business with the Federal government. Maintain proof of debarment checks in your procurement files. (2) If any vendors are debarred or suspended, consider removing the costs paid to those vendors from grant expenditures.
- **Common practices:** Implement a procurement control to perform debarment and suspension checks for vendors and contractors on SAM.gov prior to contract award to confirm they are not excluded from doing business with the Federal government. Maintain proof of debarment checks in your procurement files.



# Misclassified funding code

- Guidance can be found in 2 CFR 200.403(g)
- **Risk:** Failure to accurately record expenses in accordance with the Pennsylvania Chart of Accounts could result in errors in reporting, including loss of funding.
- **Corrective action:** (1) Create journal entries to move the expenditures to the designated coding category in your financial system.
- **Common practices:** Implement safeguards to check expenditures being reported and recorded to make sure they align with the proper object/funding code as per the PA Chart of Accounts. Train staff on the importance of accurately recording expenditures.



# No proof of payment

- Guidance can be found in 2 CFR 200.403(g)
- **Risk:** Failure to adequately reconcile payments and maintain proper documentation could result in over/underpayments and could expose Subrecipients to loss of funding.
- **Corrective actions:** (1) Reconcile payments and document proof of payment or (2) Consider removing the expenditure in question from grant expenditure to be reported if unable to locate the missing documentation.
- **Common practices:** Maintain a system for determining payments are effectively documented and reconciled. Adopt a formal book to bank reconciliation process with reviewer and approver signatures.

# Sending personally identifiable information (PII)

- Guidance can be found in 2 CFR 200.303(e)
- **Risk:** Inappropriately disclosing PII to external organizations could pose operational, financial, brand, and reputational risks to the Subrecipient.
- **Corrective actions:** (1) Establish controls around access and distribution to PII information only to authorized personnel. (2) If documentation containing PII is necessary to provide to a third party, redact the PII before resending the documentation in question.
- **Common practices:** Take reasonable measures to safeguard protected PII. This includes, but is not limited to, providing training, instating protocol for handling PII, and maintaining a formal policy for protecting PII. A formal PII policy should include, at a minimum, data privacy training; procedures for the collection, storage, use, sharing, and retention of PII; and privacy incident response and reporting. The Subrecipient should also make staff aware of updates.



# Insufficient equipment or property records

- Guidance can be found in 2 CFR 200.313(d)(1)
- **Risk:** Failure to maintain complete property records could result in de-obligation or loss of funding.
- **Corrective action:** Establish a centralized system for maintaining property records, such as a property management database or spreadsheet. Make sure that required information is recorded in the property records, such as the date of acquisition, the costs of the equipment of the property, the funding source, and the location of the equipment or property.
- **Common practices:** Adopt a procedure for obtaining and maintaining records, as well as disposition procedures related to any purchase property or equipment going forward.

# Invoice greater than purchase order

- Guidance can be found in 2 CFR 200.403(g)
- **Risk:** Failure to follow required internal purchasing procedures could result in de-obligation or loss of the Subrecipient's funding.
- **Corrective action:** Consider reducing the amount put towards the grant to align with the PO amount.
- **Common practices:** Strengthen and/or establish formal purchasing and payment procedures that have adequate controls in place prior to payment. Periodically test the internal controls over requisitions, approvals, and payment. Cross-check purchase orders and invoices to confirm their amounts match prior to making payment.

# No prior approval obtained

- Guidance can be found in 2 CFR 200.407
- **Risk:** Failure to obtain prior approval for certain construction and improvement projects and equipment could result in the loss of the Subrecipient's funding.
- **Corrective action:** Gather the necessary required approvals from PDE. If approval is not received, consider removing this cost from grant expenditures.
- **Common practices:** Obtain prior-written approval from PDE for construction, capital expenditures (including equipment with a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000) buildings, land, travel, and entertainment costs. Please complete the Program and Budget Revision Request ([pa.gov](http://pa.gov)).

# No fraud, waste, and abuse policy

- Guidance can be found in 2 CFR 200.303(a)
- **Risk:** Failure to maintain a reporting system for fraud or other improprieties could lead to financial and reputational loss because of misuse of grant funding.
- **Corrective action:** Formally adopt a fraud, waste and abuse policy.
- **Common practices:** Establish a reporting mechanism where fraud, waste and abuse can be reported. Take actions to notify stakeholders of the importance of reporting fraud, waste and abuse.

# Underlying Instances of Non-Compliance

There are several reasons why Subrecipients fall out of compliance with grant guidance:

- Did not adopt a required policy
- Adopted a policy but did not follow it
- Does not have a procedure
- Adopted the required policy but did not follow the procedure
- Has an adopted policy and established procedure but does not follow either one

# General Corrective Action

There are a limited number of actions required to correct these issues:

- Adopt the required policy consistent with Subrecipient size/complexity of operations
- Train responsible personnel on the policy requirements
- Develop and adopt procedures consistent with your operations
- Make sure personnel is aware of the applicable policies and procedures to be followed
- Train responsible personnel on the established policies and procedures and steps to be taken to make sure Subrecipient is in compliance



# Question 1

Which corrective action should a Subrecipient take to avoid the risk of de-obligation or loss of funding due to failure in tracking interest earned with ESSER grants?

- a) Increase interest rates on ESSER grants.
- b) Request an exemption from tracking interest earned.
- c) Only track interest earned monthly.
- d) Establish an internal system for tracking and recording interest earned and ensure amounts over \$500 are returned.

# Question 2

What is the corrective action for not obtaining prior approval for certain construction, improvement projects, and equipment?

- a) Gather the necessary approvals from PDE.
- b) Ignore the lack of prior approval.
- c) Proceed with the project without prior approval.
- d) Seek approval retroactively after the project is completed.

# Question 3

What should you do if you identify discrepancies during your book to bank reconciliation?

- a) Increase the grant funding to cover any discrepancies.
- b) Ignore the missing documentation and proceed with payments.
- c) Hire additional staff to handle payment reconciliation.
- d) Identify the error and make the necessary corrections to internal records or contact bank or vendor if discrepancy is outside the organization.

# Question 4

What should be done to protect Personally Identifiable Information (PII) when sharing documentation with third parties?

- a) Increase interest rates on ESSER grants.
- b) Request an exemption from tracking interest earned.
- c) Only track interest earned monthly.
- d) Establish an internal system for tracking and recording interest earned and ensure amounts over \$500 are returned.

# Question 5

What is a recommended corrective action to address the risk of financial and reputational loss due to the absence of a fraud, waste, and abuse policy?

- a) Ignore the need for such a policy.
- b) Increase grant funding to cover potential losses.
- c) Formally adopt a fraud, waste, and abuse policy.
- d) Formally adopt a fraud, waste, and abuse policy and train key personnel on this policy.

# Question 6

What action should you take if your expenditures are miscoded?

- a) Ignore the error as insignificant if the amount is small.
- b) Create a journal entry to move the expenditures to the appropriate coding category.
- c) Adjust the PA Chart of Accounts to match the misclassified expenditures.
- d) Wait for an external audit to correct the classification error.

# Question 7

In what instance do you not need prior approval before making a purchase?

- a) Construction
- b) Capital expenditures
- c) Equipment below the capitalization threshold
- d) Travel

# Question 8

What step should you take before executing a contract with a vendor?

- a) Proceed with contract awards without performing any checks.
- b) Perform debarment and suspension checks for vendors and maintain proof of checks in procurement files.
- c) Increase the grant amount to cover any potential losses from barred or suspended vendors.
- d) Invite them to coffee to get to know them better.



# Question 9

How should you track equipment property records?

- a) Establish a centralized system for maintaining property records.
- b) Use red ink so that it looks more important.
- c) Rely on memory for tracking property records.
- d) Ignore them. It will work itself out.

# Answer Key

Question 1: d

Question 2: a

Question 3: d

Question 4: b

Question 5: d

Question 6: b

Question 7: c

Question 8: b

Question 9: a



# Contact/Mission

For more information on Beyond the Top 10 Observations, please visit PDE's website at the [PA Department of Education](https://www.pde.state.pa.us).

*The mission of the Department of Education is to ensure that every learner has access to a world-class education system that academically prepares children and adults to succeed as productive citizens. Further, the Department seeks to establish a culture that is committed to improving opportunities throughout the commonwealth by ensuring that technical support, resources, and optimal learning environments are available for all students, whether children or adults.*

