ESSER Audit Preparation

May 5, 2022

Presented By:
Morgan Williams

Presentation Topics

- Draft OMB Compliance Supplement
- Testing Procedures
- Expenditure Testing
- Updates & Reminders

Commonly Used Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALN</td>
<td>Assistance Listing Number</td>
</tr>
<tr>
<td>ARPA</td>
<td>American Rescue Plan Act</td>
</tr>
<tr>
<td>CARES</td>
<td>Coronavirus Aid, Relief, and Economic Security</td>
</tr>
<tr>
<td>CFDA</td>
<td>Catalog of Federal Domestic Assistance</td>
</tr>
<tr>
<td>ConApp</td>
<td>Consolidated Application</td>
</tr>
<tr>
<td>DOAA</td>
<td>Department of Audits &amp; Accounts</td>
</tr>
<tr>
<td>CRRSAA</td>
<td>Coronavirus Response and Relief Supplemental Appropriations Act</td>
</tr>
<tr>
<td>ED</td>
<td>United States Department of Education</td>
</tr>
<tr>
<td>ESF</td>
<td>Education Stabilization Fund</td>
</tr>
<tr>
<td>ESEA</td>
<td>Elementary and Secondary Education Act</td>
</tr>
</tbody>
</table>
Commonly Used Acronyms (continued)

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESSER</td>
<td>Elementary and Secondary School Emergency Relief Fund</td>
</tr>
<tr>
<td>GaDOE</td>
<td>Georgia Department of Education</td>
</tr>
<tr>
<td>IDEA</td>
<td>Individual with Disabilities Education Act</td>
</tr>
<tr>
<td>LEA</td>
<td>Local Educational Agency</td>
</tr>
<tr>
<td>MOE</td>
<td>Maintenance of Effort</td>
</tr>
<tr>
<td>MOEquity</td>
<td>Maintenance of Equity</td>
</tr>
<tr>
<td>OMB</td>
<td>Office of Management and Budget</td>
</tr>
<tr>
<td>SEFA</td>
<td>Schedule of Expenditures of Federal Awards</td>
</tr>
<tr>
<td>STP</td>
<td>Special Tests and Provisions</td>
</tr>
<tr>
<td>UG</td>
<td>Uniform Guidance</td>
</tr>
</tbody>
</table>
Higher Risk Designation
ED is expected to designate the Education Stabilization Fund, which includes ESSER, as a “higher risk” program for 2022.
• Likely to continue in future years.

Link to Website
Office of Federal Financial Management | The White House
Activities Allowed or Unallowed & Allowable Costs/Cost Principles

Requirements
Expend funds only for allowable activities.
Classify expenditures consistently between direct and indirect cost activities.
Charge indirect costs that are in line with the approved indirect cost rate/agreement.

Audit Procedures (continued)
Review of expenditures, including employee compensation and journal entry activity.
Review of transfer journal entries.
Review of indirect cost charges.

Ways to Prepare (continued)
Ensure that management is aware of allowable uses of funds when reviewing expenditure transactions, including voucher packages, journal entries, and payroll activity.
Ensure that all expenditure transactions reflect evidence of review and approval.
Cash Management

Not expected to be subject to audit in 2022.
Removed from the Draft Compliance Supplement but still expected to comply with requirements.

Equipment and Real Property Management

Requirements
Maintain proper records for equipment and adequately safeguard and maintain equipment.
Dispose of any equipment or real property in accordance with federal requirements.
Prior approval by GaDOE is required for the following activity:
• Capital expenditures for general and special purpose equipment, and
• The purchase of real property and construction improvements to land, buildings, or equipment.

Audit Procedures
Review the equipment listing and physical inventory records.
Perform a physical inspection of equipment.
Review any equipment disposals.
Review required prior approval documentation for additions to equipment and real property management listings.
Equipment and Real Property Management
(continued)

Ways to Prepare
Obtain appropriate approval from GaDOE, the BOE, management personnel, etc. for purchases of equipment and real property.

Perform a physical inventory of equipment every year or every two years and ensure that the equipment and real property listing contains all required components.

When disposals occur, ensure that any proceeds from the sale of these items are appropriately deposited in the ESSER fund and the item is reflected as a disposal on the equipment and real property listing.

Matching, Level of Effort, Earmarking

Requirements & Audit Procedures
All procedures reflected in the Compliance Supplement apply to GaDOE, not LEAs.

However, LEAs should be aware that Maintenance of Equity and Earmarking requirements will likely be tested in future years.

Period of Performance

Not Subject to Audit
Still expected to comply with requirements.

Period of Performance Reminders

<table>
<thead>
<tr>
<th>Program</th>
<th>Legislation</th>
<th>End of Period of Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESSER I</td>
<td>CARES Act</td>
<td>September 30, 2022</td>
</tr>
<tr>
<td>ESSER II</td>
<td>CRRSAA</td>
<td>September 30, 2023</td>
</tr>
<tr>
<td>ESSER III</td>
<td>ARPA</td>
<td>September 30, 2024</td>
</tr>
</tbody>
</table>
Reporting

Requirements & Audit Procedures

All procedures reflected in the Compliance Supplement apply to GaDOE, not LEAs.

Accurate and timely completion reports are still required to be submitted.

STP: Wage Rate Requirements

Requirements

Include appropriate clauses in contracts and notify contractors and subcontractors of the need to comply with the Wage Rate Requirements.

Obtain copies of certified payrolls from contractors and subcontractors.

Audit Procedures (continued)

Verify that the required prevailing wage rate clauses were included in construction contracts.

Verify that the contractors and/or subcontractors submitted the required certified payrolls.
STP: Wage Rate Requirements  
(continued)

Ways to Prepare
Consult GaDOE before beginning any construction projects with federal funds.

Obtain a signed contract that reflects clauses associated with Davis-Bacon Wage Rate Requirements before beginning construction projects.

Obtain certified payrolls from contractors and subcontractors and ensure that the appropriate wage rate was paid to each laborer.

Wage Rates
The minimum wage rate that must be paid can be located at: SAM.gov | Search.

Select the State of Georgia.
Then, select the appropriate county.

Select the appropriate type of construction (typically “building”) and click on the link:

You can then download or print the wage rate for various labor types.
STP: Wage Rate Requirements
(continued)

The laborer types are listed as reflected below.

STP: Participation of Private School Children

Requirements

Conduct timely consultation with private school officials to determine the kind of educational services to provide to eligible private school children.

Provide planned services to private school children.

*These requirements only apply to ESSER I funds.

Audit Procedures

Review minutes of meetings and other documentation to verify that the required consultation with private school officials was conducted.

Review calculations to ensure that the appropriate amounts were set aside for private school services.*

Review voucher packages to verify that the planned educational services were provided.*

*Will only be performed if private school expenditures are material to the program.
STP: Participation of Private School Children (continued)

Ways to Prepare
Maintain minutes of meetings and other documentation of the required consultation with private school officials.

Ensure that management is aware of planned services to private school children when reviewing expenditure transactions.

Ensure that private school expenditure transactions reflect evidence of review and approval.

Expenditure Testing

Expenditure Expectations

What will auditors be reviewing?
Every expenditure transaction, including payroll activity, will be reviewed to ensure that all of these requirements are met.

• Does the expenditure fall under one of the authorized uses of funds reflected in the various COVID-related legislation?
• Is the expenditure specifically approved by GaDOE on an ESSER Consolidated Application?
• Is the expenditure appropriately documented per the Uniform Guidance?
Nonpersonal Services Expenditures

Expenditure Transfers
All nonpersonal services expenditures that are transferred from another fund to the ESSER fund via journal entry should be individually identifiable.

Auditors will be reviewing the original voucher packages for this type of activity.

*Please do not forget to include this type of activity on the appropriate ESSER ConApp.

Personal Services Expenditures

Payroll Transfers
All personal services expenditures that are transferred from another fund to the ESSER fund should be individually identifiable by employee.

Auditors will be requesting a listing by employee and amount for any payroll activity charged to the ESSER fund.

*Please do not forget to include this type of activity on the appropriate ESSER ConApp.

Documentation Recommendations

<table>
<thead>
<tr>
<th>Situation</th>
<th>Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee is splitting time between activities that may be funded under ESSER and activities that are not allowable under the program</td>
<td>Personnel Activity Report</td>
</tr>
<tr>
<td>Employee works additional time for after school or summer school care</td>
<td>Timesheet or Time Logs</td>
</tr>
<tr>
<td>A month of all salaries and benefits is moved to the ESSER fund</td>
<td>A listing of employees and their related salaries/benefits that is signed by management</td>
</tr>
<tr>
<td>New employee is hired and paid with ESSER funds</td>
<td>Periodic Certification</td>
</tr>
<tr>
<td>Retention bonuses are paid to employees</td>
<td>Documentation of the criteria and method used to disburse the bonuses, evidence of BOE approval, and a listing of employees who received the bonus with amounts.</td>
</tr>
</tbody>
</table>
Auditor Concerns
Auditors have concerns about LEAs’ ability to meet the following level of effort requirements if an excessive amount of general operating expenditures are moved from the General Fund to the ESSER Fund.

This may result in findings in future fiscal years.

Level of Effort Requirements (continued)

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Program(s) Affected</th>
<th>Concerns/Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESEA MOE</td>
<td>Title I &amp; Supporting Effective Instruction</td>
<td>Preliminary calculations have determined that many LEAs will not meet this requirement for FY2023, however, auditors cannot perform the calculation for any additional future fiscal years with the data that is currently available.</td>
</tr>
<tr>
<td>MOEquity</td>
<td>ESSER</td>
<td>Auditors cannot perform the calculation related to this requirement for FY2022 and FY2023 with data currently available.</td>
</tr>
<tr>
<td>IDEA MOE</td>
<td>Special Education Cluster</td>
<td>Auditors cannot perform the calculation related to this requirement for future fiscal years with data currently available.</td>
</tr>
</tbody>
</table>
Additions to Exit Conference Memo

ESSER Audit Preparation

- Expansion Testing: Assessments will still be testing requirements for accessibility and are specifically for measuring the following objectives in conjunction for tracking, including graduating seniors.
  1. Test Administrators will also review the advanced use of ESSER funding in the statewide ESSER Grant Program.
  2. If the test is provided online, it must clearly state the advanced use of ESSER funding in the statewide ESSER Grant Program.

- Final Preparation: Assessments will still be testing requirements for accessibility and are specifically for measuring the following objectives in conjunction for tracking, including graduating seniors.

- Final Preparation: Assessments will still be testing requirements for accessibility and are specifically for measuring the following objectives in conjunction for tracking, including graduating seniors.

- Expansion Testing: Assessments will still be testing requirements for accessibility and are specifically for measuring the following objectives in conjunction for tracking, including graduating seniors.

New Those Charged with Governance Letter Paragraph

Option #1: Will not meet ESEA MOE in FY2023

In performing our testing over the Elementary and Secondary School Emergency Relief (ESSER) Final program, we identified several potential risks associated with the use of ESSER funds for general operating expenditures in excess of documented budget shortfalls. First, we have performed a preliminary calculation associated with the Maintenance of Effort (MOE) requirement for the Elementary and Secondary Education Act (ESEA) programs and have determined that the requirement will not be met by the School District in FY2023. Additionally, while adequate data is available to perform the Maintenance of Effort (MOE) calculation associated with ESSER funds, the School District may experience difficulty in meeting this requirement for the current fiscal year. Therefore, the School District may not meet MOE requirements related to the Special Education programs in those respective years. Please note that failure to comply with these level of effort requirements may result in the reporting of audit findings in future fiscal years.

Option #2: Will meet ESEA MOE in FY2023

In performing our testing over the Elementary and Secondary School Emergency Relief (ESSER) Final program, we identified several potential risks associated with the use of ESSER funds for general operating expenditures in excess of documented budget shortfalls. First, we have performed a preliminary calculation associated with the Maintenance of Effort (MOE) requirement for the Elementary and Secondary Education Act (ESEA) programs and have determined that the requirement will not be met by the School District in FY2023; however, the requirement may not be met in subsequent fiscal years. Additionally, while adequate data is available to perform the Maintenance of Effort (MOE) calculation associated with ESSER funds, the School District may experience difficulty in meeting this requirement for the current fiscal year. Therefore, the School District may not meet MOE requirements related to the Special Education programs in those respective years. Please note that failure to comply with these level of effort requirements may result in the reporting of audit findings in future fiscal years.
Updated Findings Format

Background Information
In an effort to create consistency across DOAA, the federal findings have been updated to include a “Background Information” section.

This section will include information that is helpful in understanding the “Condition.”

SEFA Reminders

SEFA Formatting
US ED has required that alpha characters be added to all assistance listing numbers, not just ESSER programs.

There is also a requirement to designate any COVID-19 funding as such on the face of the SEFA.

Expenditure Balances
Any ESSER expenditures reclaimed from prior fiscal years should be reported on the SEFA in the year reclaimed.

ESSER expenditures related to ConApps that were not approved by GaDOE prior to June 30, 2022 should not be reported on the FY2022 SEFA.
Questions?

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