

Lessons Learned on ESSER III from Financial Monitoring



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MDE Representative



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Presented by

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Agenda

- Financial Monitoring Process
- Programmatic Monitoring Process
- Key Takeaways
- Questions



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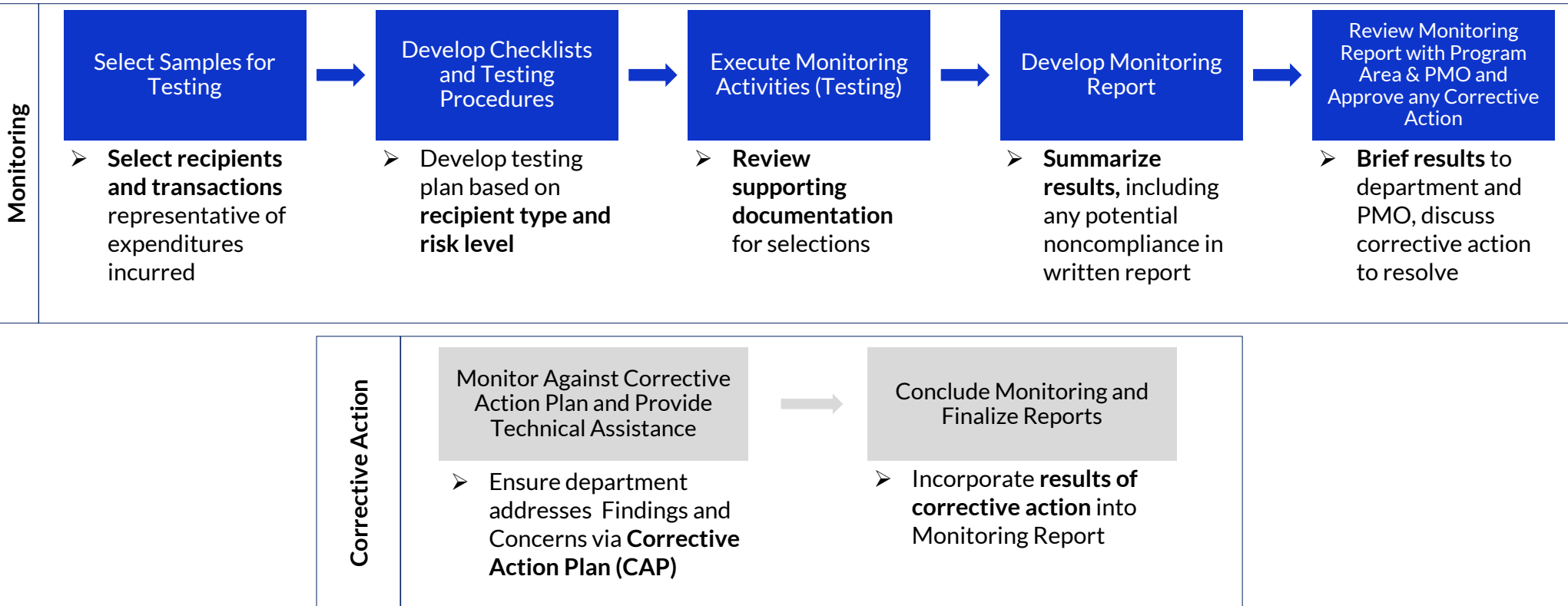


Monitoring Process Overview

General Monitoring Approach

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Upon completion of risk assessment, the following steps are taken in the monitoring effort.



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Monitoring Approach for ESSER & GEER

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Evaluate program risk assessment	Obtain data files & determine population	Design sampling & testing plan	Testing of Controls and Transactions	Review and Report to MDE and Subs
ESSER and GEER were assessed an overall risk	FID data represented actual expenditures for Fiscal Years 2023	Transaction sampling was performed based on risk ranking and samples distributed between funding sources	<i>Testing Pt. 1 included:</i> Reviewing MEGS+ application , comparing FID to Budget, Verifying Single Audits	Preliminary Results (Observations) provided to MDE
Utilized 2021 – 2022 Consultant Assessment provided by MDE to rank agencies	Eligible applicants were LEAs, including public school academies (PSAs) and ISDs	Funding sources applicable to this monitoring included ESSER I/II/III, GEER I, and GEER II	Testing Pt. 2 included: Reviewing GL detail, processes and controls , Transactional sampling	Discuss Observations at Exit Conference #1
Subrecipients (education agencies) were selected based on their assessed risk of noncompliance 50% of High Risk 25% of Medium Risk 5% of Low Risk		More detailed testing steps for learning loss and capital expenditures	Testing Pt. 3 included: Reviewing supporting documentation , Additional follow up as needed	Worked with MDE and Subs to clarify observations
				Convert remaining observations to findings or concerns for final report
				Bring Corrective Action necessary to Exit Conference #2
				Work with agencies to implement corrective action



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Current Monitoring Populations

Primary factors determining population(s)

- Timeliness of FID submission by the agency
- Existence of FID expenditures for a given agency
- Whether a given agency was still in operation

These factors created two distinct populations, one with the majority of K-12 education agencies in the state and another with select schools that most likely had ESSER/GEER expenditures but did not submit their FID on time.

Population #1

- Submitted FID data on time
- Had expenditures for an ESSER/GEER Grant code
- Was still in operation as of the date of monitoring

Population #2

- Did not submit FID data on time
- May have expenditures for an ESSER/GEER grant code
- May have closed during or after the fiscal year





Financial Monitoring

Testing and Review

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PART 1

- Review Applications & Budgets in MEGS+
- Request GL Detail to Support FID Data and Process & Controls questionnaire
- Verify Single Audit Reviews by MDE

Updated process and controls questionnaire this year.

PART 2

- Review GL Detail and sample transactions
- Review process & controls questionnaire for follow up
- Request Supporting Documentation

Using Suralink to collect supporting documentation this year.

PART 3

- Review Supporting Documentation
- Explain Variances, if any
- Recommend Corrective Action, if applicable

Potential for Site Visits as supporting documentation is reviewed.

RESULTS

Detail review by managers and principals.

Follow up performed as needed.



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Testing Learning Loss Strategies

Which districts received and expended funds specifically for learning loss over the last year?

Supplemental Survey Results – Prior Monitoring Iteration (63 subrecipients, 46 responses)

- **39 out of 46** had expended funds for **learning loss**
- **All 39 responded** that **evidenced based interventions** were used while expending these funds

How this informed our testing

- Were the strategies performed in line with reopening plans?
- Were the expenditures clearly delineated and well documented?

Testing Capital Expenditures

Which districts received and expended funds specifically for capital activities over the last year?

Supplemental Survey Results – Prior Monitoring Iteration (63 subrecipients, 46 responses)

- **17 out of 46** had expended funds for **capital activities**
- 12 out of 17 purchased capital equipment, while the remaining **5 remodeled, renovated, or constructed new facilities.**
- **3 out of the 5** stated they had the **appropriate assurances** in their contracts regarding Davis Bacon, NEPA, historic preservation, and Civil Rights.

How this informed our testing

- How are contracts being prepared for capital activities?
- What processes are in place to address Davis Bacon and other applicable national acts?
- How is progress and budget being tracked to ensure the project is completed on time and within budget? Including obligations against the expiration date for ESSER III
- Were the expenditures clearly delineated and well documented?



Monitoring Site Visits

- Likely be **focused on districts that are nonresponsive** or otherwise not providing supporting documentation
- May also include specific testing of
 - **Learning loss** such as observing strategies used, if possible, and identifying equipment used to address learning loss
 - **Capital Activities** such as walkthroughs of capital asset management and visual inspection of material capital assets

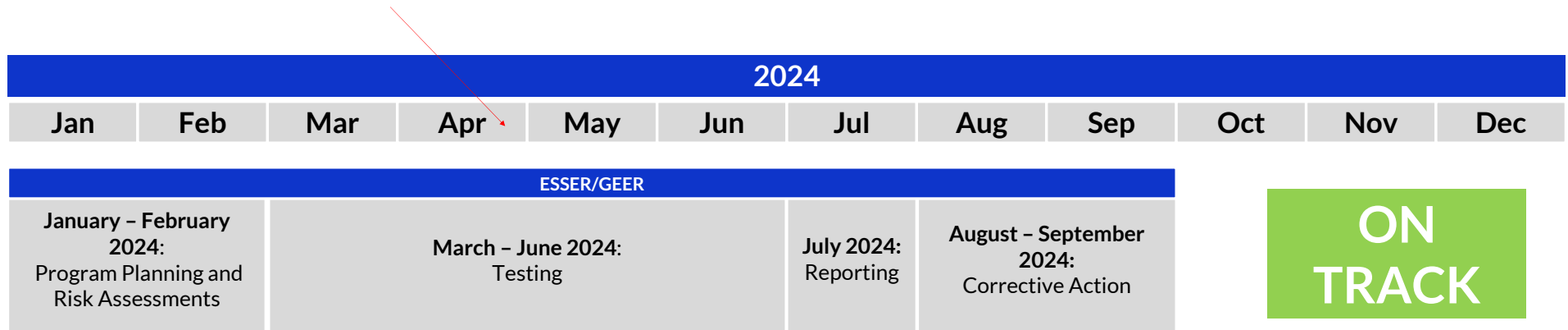
Results from Last Monitoring Effort

- Expenditures incurred by districts, primarily under the CRRSA iteration of ESSER/GEER, were mostly supported and in line with eligible uses. Not unexpectedly, did see an increase in the number of findings and concerns (defined below) as compared to the CARES iteration (FY2020-2021), largely because of the increase in dollars.
 - **Findings** are defined as **violations** of statutory, regulatory, or program requirements for which sanctions or other corrective actions may be issued.
 - **Concerns** are defined as other deficiencies not necessarily based on statutory, regulatory, or program requirements which **could become findings if not addressed**.
- Many agencies had policies and procedures, but some districts had not updated since pre-COVID-19.
- We also noted that a few schools charged sales tax to the federal award.



Timeline for Financial Monitoring

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Key Takeaways for Financial Monitoring

- **Document, Document, Document** – especially reasons for allocating certain costs.
- **Plan for monitoring to occur regularly** each year between **April to June** and **assume you will be monitored** each year!
- **Update your contact information** for finance and business office officials with MDE and EEM, due to turnover.
- **Prompt responses** are expected during monitoring to ensure steps are not missed. Support should be turned around **within two weeks**, unless specified otherwise.

Key Takeaways for Closeout

- Ensure you have a **plan to spend funds by the expiration date** for ESSER III, 9/30/2024 – **finalize these plans NOW**
- **Updating Plan of Use** and make budget amendments with MDE
- **Review and clearly document** compliance with Davis Bacon (federal prevailing wage), recent state legislation on prevailing wage now in effect, and other national acts
 - **If not in compliance** with these regulations – need to consider **reallocate** funding, work with MDE, and update plan of use/budgets **IMMEDIATELY**
- **Timely submission of FERs** in addition to audits and FID data





Programmatic Monitoring

Programmatic Monitoring Overview

Programmatic Monitoring is active and ongoing by MDE

Currently focused on...

- 20% Set-Aside requirement under ARP ESSER III
- Focus currently on LEA Plan for Use of Funds and Return to In-Person Instruction & Continuity of Services Plan
- Technical Assistance in advance of formal monitoring after June 30, 2024
- Total Financial Draw as compared to Total Award - pulled every two weeks for review

20% Set-Aside

Takeways...

- Administering High Quality Assessments
- Implementing Evidence-Based Practices
- Monitoring Students to Determine Who Needs More Help
- Communicating with Parents/Families
- Tracking Student Attendance and Engagement in Remote Learning



LEA Plan for Use of Funds

Takeaways...

- Result of Meaningful Consultation with local stakeholders
- Must align with Budget and Meaningful Consultation
- Must be posted on your local website
- Documentation Required:
 - Meaningful Consultation
 - LEA Plan for Use of Funds (in MEGS+ application)
 - Budget (in MEGS+ application)

Return to In-Person Instruction & Continuity of Services Plan

Takeaways...

- Must align with federal Interim Final Rule
- Must include opportunity for public input in each step
- Initial plan must be posted on website within 6 months of receipt of first Grant Award Notification (GAN)
- Plan must be reviewed every 6 months through the life of the grant (September 30, 2024)
- Documentation Required:
 - GAN date
 - Website review for Plans
 - Documentation to support Public Input was requested

Drawdown of Funds

Takeaways...

- At this point in grant, you should have less than 20% remaining to draw to be on-target to fully draw by December 30, 2024
- Many factors may be contributing to a higher remaining percentage balance, including Capital Projects.
- Late Liquidation option is available for Capital Projects and other delayed deliveries





QUESTIONS



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Thank you for joining this session!

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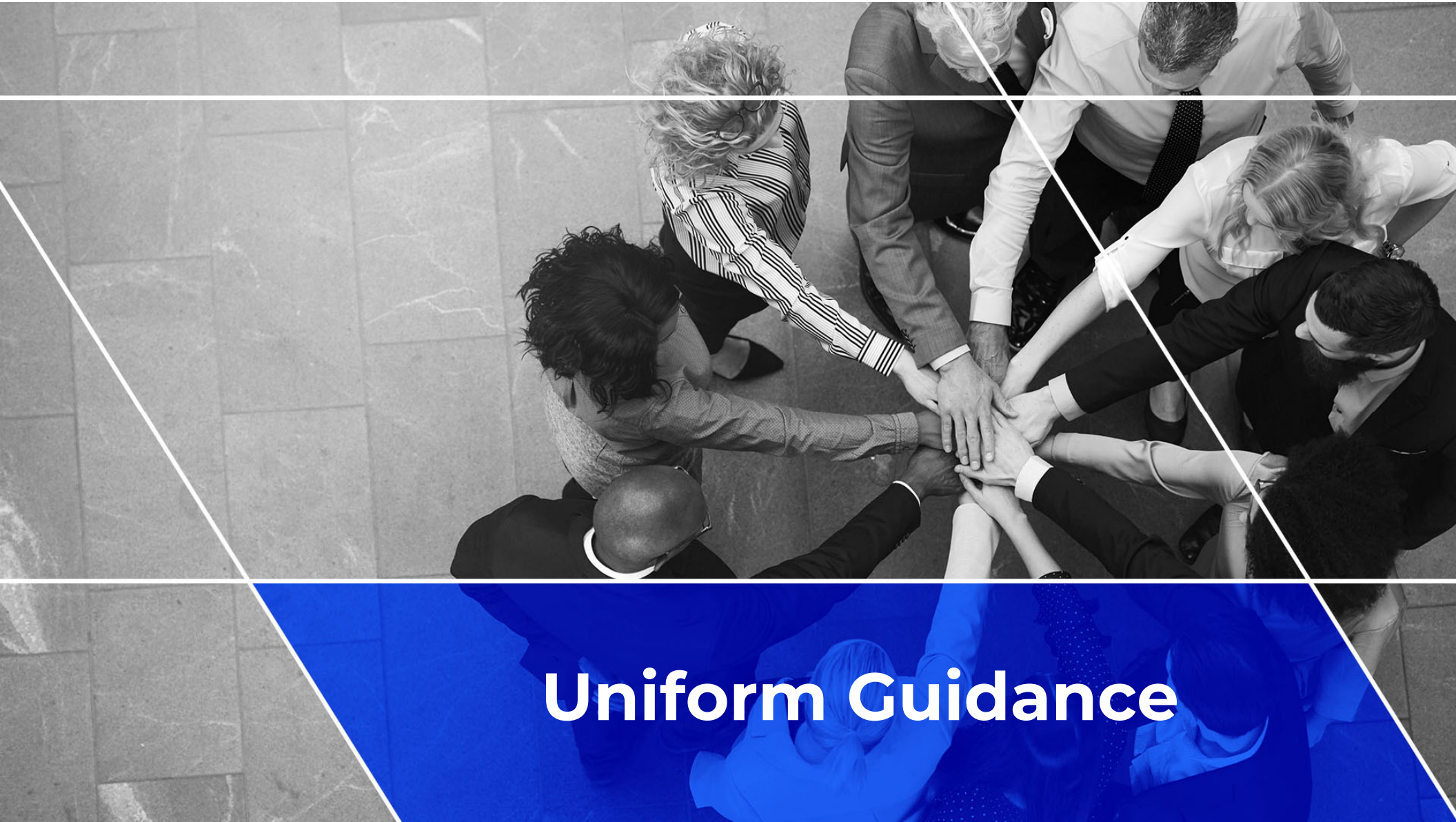
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Uniform Guidance

Uniform Guidance Overview

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Single Audits (Subpart F, 200.501, 200.514)

- Required for non-Federal entity spending above \$750k of federal funds in the entity's fiscal year
- Starts with a financial audit conducted in accordance with GAAS and GAGAS
- Adds requirements for testing compliance with federal grant regulations
- Stages of a single audit:
 - Determine need (Federal expenditures > \$750,000)
 - Select major programs (by Assistance Listing Number/cluster)
 - Test internal controls and compliance
 - Reporting (three reports, plus a SFQC, and a DCF)

Pre/Post Award Requirements (Various Subparts, see below)

Pre-Award:

- Grant document info: Performance goals, general information, terms and conditions (Subpart C)

Post-Award:

- Recipients: Requirement compliance, performance measurement, financial management systems (Subpart D, 200.302)
- Payments: Advances or reimbursements from US gov't (Subpart D, 200.305)
- Cost matching: Must be verifiable, exclude other federal awards (Subpart D, 200.306)
- Performance period: Allowable costs charged during agreed period (Subpart D, 200.309)

Procurement (Subpart D, 200.318)

- States may follow their own policies and procedures
- All others must follow the general procurement standards
 - Use documented procurement procedures
 - No conflicts of interest
 - Consider most economical purchase option
- Procurement transactions: full and open competition
- Methods:
 - Micro purchases, small purchases, sealed bids, competitive proposals, sole source



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Uniform Guidance Overview

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Direct & Indirect Costs (Subpart E, 200.413-414)

Direct costs:

- Can be charged directly to the program
- Can be identified specifically with a particular final cost objective
- Minor items may be treated as indirect for reasons of practicality, if consistently applied
- Unallowable costs may still be direct

Indirect (F&A) costs:

- Classified as “facilities” (space costs) or “administration” (overhead costs)
- Cannot be identified specifically with a particular final cost objective
- Subject to negotiated rate w/ federal agency or de minimis 10% rate

Subrecipient Monitoring (Subpart D, 220.331-333)

- Pass-through entities must:
 - Evaluate subrecipient risk based on their prior award experience, prior monitoring/audit results, extent of new personnel/systems
 - Review financial and programmatic reports, verify appropriate audits are conducted
 - Depending on assessed risks: Provide training/technical assistance, perform on-site reviews
 - Follow-up on identified deficiencies, issue a “management decision” on audit findings, consider taking enforcement action for noncompliance
- The state departments are the pass-through entities



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Recipient Determination

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Subrecipients

- Determine who is eligible to receive what Federal assistance
- Have performance measured in relation to whether program objectives were met
- Have responsibility for programmatic decision making
- Are responsible for adherence to applicable Federal program requirements specified in the Federal award
- Use the Federal funds to carry out a program, as opposed to providing goods or services for the benefit of the pass-through entity

Contractors

- Provide goods and services within normal business operations
- Provides similar goods or services to many different purchasers
- Normally operate in a competitive environment
- Provide goods or services that are ancillary to the operation of the Federal program
- Are not subject to compliance requirements of the Federal program as a result of the agreement

Beneficiaries

- May be individuals or entities who receive federal funding from the State
- Are not using payments to carry out a program on behalf of the State
 - In contrast, leverage federal funding for the purpose of directly benefitting the individual or entity as a result of experiencing a public health impact or negative economic impact of the pandemic



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