



U.S. Department of Education
Office of Inspector General

Southeast Polk Community School District's Use of Elementary and Secondary School Emergency Relief Grant Funds

September 24, 2024
ED-OIG/F24CA0173

FLASH REPORT

NOTICE

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. The appropriate Department of Education officials will determine what corrective actions should be taken.

In accordance with Freedom of Information Act (Title 5, United States Code, Section 552), reports that the Office of Inspector General issues are available to members of the press and general public to the extent information they contain is not subject to exemptions in the Act.



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services

September 24, 2024

McKenzie Snow
Director
Iowa Department of Education
400 E 14th St
Des Moines, IA 50319

Dear Director Snow:

Enclosed is our final report, "Southeast Polk Community School District's Use of Elementary and Secondary School Emergency Relief Grant Funds," Control Number ED-OIG/F24CA0173. This report incorporates the comments you provided in response to the draft report. The U.S. Department of Education's policy is to expedite audit resolution by timely acting on findings and recommendations. Therefore, if you have any additional comments or information that you believe may have a bearing on the resolution of this flash review, you should send them directly to the following Department of Education official, who will consider them before taking final Departmental action on this review:

Adam Schott
Delegated the Authority to Perform the Functions and Duties of the Assistant Secretary
Office of Elementary and Secondary Education
U.S. Department of Education
400 Maryland Avenue, SW
Washington, D.C. 20202

We appreciate your cooperation during this review. If you have any questions, please contact me at (916) 213-7630 or Ben.Sanders@ed.gov.

Sincerely,

/s/

Ben C. Sanders
Regional Inspector General for Audit

Enclosure



Results in Brief

Southeast Polk Community School District's Use of Elementary and Secondary School Emergency Relief Grant Funds

Why the OIG Performed This Work

Congress passed three coronavirus relief acts within a 1-year period that provided more than \$275 billion for an Education Stabilization Fund to prevent, prepare for, and respond to the coronavirus, which the President declared as a national emergency in March 2020. This included \$189.5 billion for Elementary and Secondary School Emergency Relief (ESSER), funds intended to provide vital support to States, local educational agencies, and schools to address the impact of the coronavirus. Support, in part, includes activities designed to help students and educators safely return to and sustain in-person instruction, and that address the educational inequities exacerbated by the coronavirus pandemic and students' social, emotional, mental health, and academic needs.

Ensuring that ESSER funds are used for allowable purposes is critical to help address the needs of students and educators. The Southeast Polk Community School District (Southeast Polk) was allocated approximately \$6 million in ESSER funds to support 11 schools serving about 7,400 students.

We performed this review to determine whether Southeast Polk expended ESSER grant funds for allowable purposes in accordance with applicable requirements.

What Did the OIG Find?

We determined that all 20 expenditures (5 personnel and 15 non-personnel) that we reviewed were allowable. Allowable activities generally include those authorized by the Elementary and Secondary Education Act, Individuals with Disabilities Education Act, Adult Education and Family Literacy Act, Carl D. Perkins Career and Technical Education Act of 2006, and subtitle B of title VII of the McKinney-Vento Homeless Assistance Act. It also includes activities listed in section A-3 of the U.S. Department of Education's Frequently Asked Questions document for the ESSER and Governor's Emergency Education Relief Programs.

However, for one expenditure totaling \$62,000 for school bus air conditioners, Southeast Polk did not award or maintain documentation supporting its awarding of a contract to the selected vendor, which did not comply with 2 Code of Federal Regulations sections 200.318 or 200.320.

What Is The Impact?

Without a contract stipulating the terms and conditions of the award for the school bus air conditioners, Southeast Polk might not be able to adequately monitor vendor performance or ensure that it receives what it paid for in terms of cost, quality, and timeliness of the product.

What Are the Next Steps?

We made one recommendation to address the procurement issue that we identified to ensure ESSER funds are used, documented, and managed in accordance with applicable requirements.

The Iowa Department of Education (Iowa) did not state whether it agreed or disagreed with our recommendations, but requested that we perform an additional review of the report after considering comments from Southeast Polk. Southeast Polk believed that all expenditures that we reviewed met applicable ESSER and procurement requirements, and it provided additional context that included information regarding the funding source at the time of purchase and subsequent reclassification of costs, its use of vendors, and the circumstances surrounding the coronavirus pandemic intended to support that belief. Based on Southeast Polk's clarification and further analysis of available information, we removed part of the finding and two recommendations from the report. We summarize Iowa's and Southeast Polk's comments and provide our response at the end of the finding. We also provide the full text of Iowa's and Southeast Polk's comments at the end of the report (see [Iowa Department of Education's Comments](#)).

Purpose

The objective of our flash review was to determine whether the Southeast Polk Community School District (Southeast Polk) expended Elementary and Secondary School Emergency Relief (ESSER)¹ grant funds for allowable purposes in accordance with applicable requirements. This flash review report presents the results of our review.

Southeast Polk Community School District

The Southeast Polk Community School District in Iowa is a local educational agency (LEA) in a rural, fringe setting with 11 schools serving about 7,400 students. Southeast Polk was allocated approximately \$6 million in ESSER funds, and as of August 15, 2023, it had spent about \$4.8 million (80 percent) of its \$6 million ESSER allocation to address the impacts of the coronavirus pandemic. In its approved American Rescue Plan Act (ARP) ESSER plan, Southeast Polk noted that it planned to use its ARP ESSER funds for evidence-based accelerated learning interventions in literacy, mathematics, and social-emotional-behavioral health (including mental health); cleaning supplies for LEA facilities; repairs and improvements in school facilities to reduce the risk of virus transmission and exposure to environmental health hazards; and summer learning and supplemental after-school programs activities.

What We Did

We selected and reviewed 20 ESSER expenditures (3 percent) from a total population of 591 ESSER expenditures for the period July 1, 2022, through June 30, 2023 (review period). We used a judgmental, risk-based process to select the 20 expenditures (15 non-personnel and 5 personnel), which represented \$345,583 (44 percent) of the \$790,066 in total ESSER expenditures during our review period.

We reviewed each expenditure to determine whether it was (1) connected to the coronavirus pandemic (intended to prevent, prepare for or respond to the coronavirus pandemic, including its impact on the social, emotional, mental health, and academic needs of students); (2) an authorized use of ESSER funds under applicable law and

¹ ESSER is one of multiple emergency relief funds comprising the Education Stabilization Fund, which was first authorized and funded under the Coronavirus Aid, Relief, and Economic Security Act (March 27, 2020), and for which Congress later provided additional funding under the Coronavirus Response and Relief Supplemental Appropriations Act (December 27, 2020) and the American Rescue Plan (March 11, 2021). Under ESSER, the U.S. Department of Education awarded grants to State educational agencies for the purpose of providing local educational agencies with emergency relief funds to address the impacts that the coronavirus pandemic had on elementary and secondary schools and their students.

regulations; and (3) reasonable and necessary and otherwise permissible under the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance, 2 Code of Federal Regulations (C.F.R.) part 200. We also performed additional work, as needed, to determine whether Southeast Polk complied with key Federal procurement requirements, specifically those covered under 2 C.F.R. sections 200.320 (methods of procurement to be followed), 200.324 (contract cost and price), and 200.327 (contract provisions), when procuring the goods or services associated with each non-personnel expenditure. We interviewed Southeast Polk officials to gain a basic understanding of how they used ESSER funds, and their processes for approving and monitoring ESSER expenditures.

An LEA can use ESSER funds for any activity deemed allowable under section 18003(d) of the Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136); section 313(d) of the Coronavirus Response and Relief Supplemental Appropriations Act (P.L. 116-260); and section 2001(e) of ARP (P.L. 117-2). These activities generally include any activity authorized by the Elementary and Secondary Education Act, Individuals with Disabilities Education Act, Adult Education and Family Literacy Act, Carl D. Perkins Career and Technical Education Act of 2006, and subtitle B of title VII of the McKinney-Vento Homeless Assistance Act; as well as those listed in section A-3 of the U.S. Department of Education’s Frequently Asked Questions document for the ESSER and Governor’s Emergency Education Relief Programs (May 2021, updated on December 7, 2022).

What We Found

We determined that all 20 (100 percent) expenditures that we reviewed were allowable. These expenditures were generally for counselor salaries, cleaning supplies, textbooks, and air conditioning equipment. They were connected to the coronavirus pandemic and authorized uses of ESSER funds under applicable law and regulation. However, we found that Southeast Polk did not comply with the procurement process or documentation requirements at 2 C.F.R. sections 200.318 or 200.320 when procuring the goods associated with 1 (7 percent) of the 15 non-personnel expenditures, totaling \$62,000 (36 percent) of the \$173,527 in non-personnel expenditures.

Procurement Issue—No Contract Awarded or Maintained

For one expenditure totaling \$62,000 for school bus air conditioners, Southeast Polk either did not award or maintain documentation to support its awarding of a contract to the vendor. Formal procurement methods, which include publicly soliciting prices from prospective vendors, are required for purchases over \$250,000. When using formal procurement, a non-Federal entity must award a contract to the responsible offeror (2 C.F.R. section 200.320(b)(2)(iii)). Additionally, the non-Federal entity must maintain records sufficient to detail the history of the procurement, including but not limited to

records documenting the rationale for the procurement method used, vendor selection or rejection, and basis for the contract price (2 C.F.R. section 200.318(i)). This expenditure was part of an \$834,000 purchase for school buses and related items; therefore, a formal procurement process was required and a contract should have been awarded to the selected vendor to comply with 2 C.F.R. section 200.320(b)(2)(iii).

Based on our review of LEA board meeting minutes showing summary-level bid information from three vendors² and pre-approval from the Iowa Department of Education (Iowa) for the purchase of buses and related items, we concluded that Southeast Polk used a formal procurement process for this expenditure as required by applicable Uniform Guidance general procurement standards. Southeast Polk's Executive Director of Business Services told us that once Southeast Polk selected and its board approved the vendor, the specification sheet that the vendor was required to submit as part of its bid package would serve as the agreement between Southeast Polk and the vendor. We requested the specification sheet that was signed by the LEA and selected vendor. In response, the executive director told us that he could not locate the bid documentation (which would have included the specification sheet) that the selected vendor submitted to Southeast Polk.

Without this information, we concluded that Southeast Polk either did not award a contract to the vendor contrary to 2 C.F.R. section 200.320(b)(2)(iii), or failed to maintain the contract in its procurement files contrary to 2 C.F.R. section 200.318(i). Further, without a contract stipulating the terms and conditions of the award for the school bus air conditioners, Southeast Polk might not be able to adequately monitor vendor performance or ensure that it receives what it paid for in terms of cost, quality, and timeliness of the product. Per section 10.03 of the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (September 2014), documents and records should be completely and accurately recorded, properly managed and maintained, and management should clearly document all transactions and other significant events in a manner that allows the documentation to be readily available for examination.

What We Recommend

We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education require Iowa to require Southeast Polk to ensure that LEA officials responsible for making or reviewing and approving purchases receive sufficient training on Federal

² In the minutes for a November 2021 LEA board meeting, there was information identifying the names of the three vendors that submitted proposals, the vendors' bid amounts, and which vendor was selected and approved by the board.

rules and regulations related to grant administration and management, particularly those addressing procurement process and documentation requirements.

Iowa's Comments

Iowa did not state whether it agreed or disagreed with our recommendations, but requested that we perform an additional review of the report after considering the comments from Southeast Polk. Southeast Polk believed that all expenditures that we reviewed met applicable ESSER requirements and followed the LEA's procurement policies and procedures. Southeast Polk stated that it understood why we identified issues with certain expenditures, but it did not agree or fully agree with the practicality of the findings or the conclusions reached.

Our draft report identified two expenditures totaling \$53,733 for cleaning supplies that appeared to be unsupported. Southeast Polk noted that the expenditures represented reclassified costs that were initially funded with general fund dollars but ultimately funded with ESSER dollars after reclassification. The LEA added that the two ESSER-funded expenditures were comingled in a larger purchase with non-ESSER funded cleaning supplies expenditures. Southeast Polk stated that it provided a spreadsheet of the ESSER-funded items included in the larger purchase, while also acknowledging that there was some confusion reconciling to the total dollar amount of cleaning supplies charged to ESSER. The LEA noted that it could document that the vendor was paid for the larger order consisting of both ESSER and non-ESSER funded items.

Our draft report also identified five expenditures totaling \$80,997 that did not appear to be subject to a competitive procurement process. Southeast Polk provided additional context by noting that the expenditures were an aggregate of cleaning supply and air filter costs incurred from July 2022 through December 2022, and that it did not know whether non-general fund dollars (for example, ESSER funds) would be available to help cover the costs at the time the items were acquired. Using vendors with which it had long-term relationships, Southeast Polk initially used non-ESSER funds to make these purchases to mitigate coronavirus-related health challenges and minimize the health effects on students and staff. Through a reclassification of costs, Southeast Polk later used available ESSER funds to fund these purchases which freed up its general fund (non-ESSER) dollars for other purposes.

Regarding the expenditure totaling \$62,000 for school bus air conditioners, Southeast Polk stated that the expenditure was pre-approved by Iowa and the LEA's School Board. The LEA noted that it received sealed bids from bus manufacturers for school buses and alternative pricing for school bus air conditioners, while also acknowledging that it could not locate the bid documentation for these items due to key personnel changes in its Transportation Department.

OIG Response

We did not make any changes to the report based on Southeast Polk's comments regarding its procurement of school bus air conditioners. However, based on Southeast Polk's clarification and further analysis of available information, we removed from the finding the two unsupported expenditures totaling \$53,733 for cleaning supplies and the five expenditures totaling \$80,997 that were not subject to a competitive procurement process. We also removed two recommendations related to those expenditures from the report.

Southeast Polk acknowledged that it could not locate the bid documentation associated with its purchase of school bus air conditioners, documentation that likely would have included any contract the LEA would have executed with the vendor. As we note in the body of the report, without this information, Southeast Polk either did not award a contract to the vendor contrary to 2 C.F.R. section 200.320(b)(2)(iii), or failed to maintain the contract in its procurement files contrary to 2 C.F.R. section 200.318(i). We did not make any changes to the report for this expenditure.

During our final review and analysis of available information for the two unsupported expenditures, we located documentation (invoices and checks) that supported proof of payment for the \$53,733 in cleaning supplies and therefore removed them as unsupported costs from the finding. We considered Southeast Polk's clarification regarding the five expenditures that were not subject to a competitive procurement process and further analyzed available information for those expenditures, including the type and cost of the items purchased (cleaning supplies and air filters), funding source at the time of purchase, and the circumstances surrounding the coronavirus pandemic. Based on Southeast Polk's clarification and that analysis, we concluded that there were no procurement issues related to these five expenditures and we removed information related to these expenditures from the finding and two recommendations from the report.

Appendix A. Scope and Methodology

Our review covered Southeast Polk’s ESSER expenditures from July 1, 2022, through June 30, 2023 (review period). We limited our internal control work to gaining a basic understanding of how Southeast Polk’s accounting system was used to account for ESSER funds and how to interpret accounting codes. We conducted our review remotely from February 2024 through June 2024. We discussed the results of our review with Southeast Polk and Iowa officials on June 20, 2024.

Sampling Methodology

To determine whether Southeast Polk expended ESSER grant funds for allowable purposes in accordance with applicable requirements, we used a judgmental, risk-based process to select 20 expenditures (3 percent) for review from a total population of 591 expenditures for the period July 1, 2022, through June 30, 2023. The selected expenditures represented \$345,583 (44 percent) of the \$790,066 in total ESSER expenditures during our review period. For purposes of selection, we first divided the expenditures into two strata: one for personnel expenditures (totaling \$527,022) and one for non-personnel expenditures (totaling \$263,044). We then selected samples as follows:

- From the personnel population, we judgmentally selected five expenditures, totaling \$172,056 (33 percent of total personnel expenditures). We selected the four highest dollar payroll transactions (over \$30,000) and one additional payroll transaction based on a combination of dollar amount and employee position description.
- From the non-personnel population, we judgmentally selected 15 expenditures, totaling \$173,527 (66 percent of total non-personnel expenditures). We selected the nine highest dollar transactions (over \$6,000) and six additional transactions using one or a combination of the following factors: high-dollar amount, reclassified transaction, or duplicate amount.

The results of our testing apply only to the expenditures reviewed and cannot be projected to the universe of ESSER expenditures.

Use of Computer-Processed Data

We relied, in part, on computer-processed data (LEA expenditure data) from Southeast Polk’s accounting system. Southeast Polk provided us with a spreadsheet that contains its ESSER expenditure data from July 1, 2022, through June 30, 2023. To assess the completeness of the expenditure data in the spreadsheet, we compared total expenditures in the spreadsheet to total expenditures in the four quarterly ESSER

expenditure reports that Southeast Polk submitted to Iowa for our review period. To assess the reliability of the expenditure data in the spreadsheet, we reviewed supporting documentation, such as invoices, proof of payment, and payroll records (as applicable), for the 20 expenditures covered by our review. We did not identify any issues and concluded that the expenditure data in the spreadsheet were reliable for their intended use.

Compliance with Standards

We conducted our work in accordance with OIG quality control standards and the Council of the Inspectors General on Integrity and Efficiency's "Quality Standards for Federal Offices of Inspector General," which require that we conduct our work with integrity, objectivity, and independence. We believe that the information obtained provides a reasonable basis for our conclusions.

Appendix B. Acronyms and Abbreviations

ARP	American Rescue Plan Act
C.F.R.	Code of Federal Regulations
ESSER	Elementary and Secondary School Emergency Relief
Iowa	Iowa Department of Education
LEA	local educational agency
Southeast Polk	Southeast Polk Community School District
Uniform Guidance	Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

Iowa Department of Education's Comments



Department of Education

McKenzie Snow, Director

Adam Gregg, Lt. Governor

Kim Reynolds, Governor

August 20, 2024

Ben C. Sanders
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
Sacramento Region

Reference: Control Number ED-OIG/F24CA0173

Dear Mr. Sanders:

The purpose of this letter is to confirm the Iowa Department of Education (IDOE) has reviewed the draft flash report, "Southeast Polk Community School District's Use of Elementary and Secondary School Emergency Relief Grant Funds", and requests that OIG perform an additional review of this report based on the recent justification and comments submitted to the Iowa Department of Education by the Southeast Polk Community School District. The Southeast Polk Community School District believes that all of the expenditure transactions reviewed by the OIG meet the requirements for the use of ESSER funds and that compliant District procurement policies and procedures in regards to ESSER funds were followed.

In addition, the Southeast Polk Community School District (District) would like to add the following comment below:

"Thank you for the opportunity to respond to the flash audit draft report from OIG regarding the use of ESSER funds during fiscal year 2023. Although the District understands the reasons why the OIG team noted certain expenditures in the report, we do not agree with the practicality of the comments noted or entirely to the conclusions reached.

Page 3 of the OIG report indicates that there were two expenditures totaling \$53,733 that were "unsupported costs". These two expenditures relate to a reclassification of cleaning and safety supply costs from regular program general fund dollars to ESSER funding sources. The cleaning and supply items charged to ESSER funds were commingled in a larger volume purchase with other non-ESSER charged cleaning supplies from the District's custodial supply vendor. The District provided a spreadsheet of ESSER funded items from the larger order, but there was some confusion with being able to get to the total dollar amount of cleaning and safety supply costs that were charged to ESSER funds. The District is able to document that the vendor was paid for the entire order including both ESSER funded and non-ESSER funded items.

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Page 5 of the OIG report indicates that 5 of the 15 non-personnel expenditures totaling \$80,997 did not use a competitive procurement process. These expenditures include the aforementioned cleaning and safety supplies and also air filters. Note that the dollar amount was the aggregate total of costs identified by the District that were incurred over the first six months of fiscal year 2023 from July 2022 through December 2022. The extent and volume of such purchases was not known at the time of purchase or whether other non-regular program general fund dollars would be available. We purchased supplies as needed to mitigate the health challenges as it related to COVID-19 and to minimize health effects on our students and staff.

Page 5 of the OIG report indicates that no agreement with the bus manufacturers was available for the purchase of six school buses including the cost of air conditioner units in each school bus that totaled \$62,000. The purchase and use of ESSER funds for air conditioning was pre-approved by the Iowa Department of Education and documented in the CASA reporting program. The District received sealed bids from bus manufacturers for school buses and alternative pricing for air conditioning. Due to key personnel changes in the Transportation Department, the actual bid response documentation was not able to be located. The School Board also approved the purchase of the six school buses and air conditioning for each school

Please let us know if you have additional questions or if additional information would further support your review.

Respectfully,



Jillian Dotson
Chief, Bureau of Federal Programs
[Insert Signature]



Sandra Hurtado-Peters
Chief Financial Officer