



U.S. Department of Education
Office of Inspector General

Des Moines Independent Community School District's Use of Elementary and Secondary School Emergency Relief Grant Funds

September 23, 2024
ED-OIG/F24CA0170

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 23, 2024

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

Dear Director Snow:

Enclosed is our final report, "Des Moines Independent Community School District's Use of Elementary and Secondary School Emergency Relief Grant Funds," Control Number ED-OIG/F24CA0170. 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

Des Moines Independent 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 Des Moines Independent Community School District (Des Moines) was allocated approximately \$142.9 million in ESSER funds to support 59 schools serving about 30,700 students.

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

What Did the OIG Find?

We determined that of the 20 expenditures that we reviewed, 17 were allowable and in accordance with applicable requirements. Two expenditures totaling \$164,580 were unallowable because they were for advertising and public relations costs prohibited under the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 Code of Federal Regulations part 200), and a portion (\$33,326) of the remaining expenditure totaling \$666,527 appeared to be allowable but Des Moines either did not pay or adequately support proof of payment for that portion (the other \$633,201 of this expenditure was both allowable and supported with documentation). We also identified a cash management issue related to the unsupported amount of \$33,326 because Des Moines was reimbursed by the ESSER grant for that amount before it had an immediate need for those funds.

Lastly, we found that Des Moines complied with key Federal procurement requirements, including those covering the procurement methods to be followed and contract cost, price, and provisions, when procuring the goods or services associated with each ESSER expenditure we reviewed.

What Is the Impact?

Payments made for prohibited advertising and public relations costs are considered improper payments. Without documentation to support proof of payment of the \$33,326 amount, we could not determine whether the payment was proper or improper, or made at all. Improper payments can negatively impact the integrity of Federal programs, erode public trust in a non-Federal entity such as a local educational agency (LEA), and waste taxpayer resources. With respect to cash management, it is critical that Des Moines and other LEAs not draw Federal funds before they have immediate need for the funds. The U.S. Treasury incurs additional borrowing costs when an LEA draws Federal funds in advance of its immediate cash needs because the U.S. Treasury often borrows the cash needed to fund Federal programs and, as a result, incurs interest costs.

What Are the Next Steps?

We made four recommendations to address the unallowable and unsupported expenditures and the cash management 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 review comments submitted by Des Moines describing corrective actions that it has taken to implement some of our recommendations. We summarize Iowa's and Des Moines' comments and provide our response at the end of the finding. We also provide the full text of Iowa's and Des Moines' comments at the end of the report (see [Iowa Department of Education's Comments](#)).

Purpose

The objective of the flash review was to determine whether the Des Moines Independent Community School District (Des Moines) 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.

Des Moines Independent Community School District

The Des Moines Independent Community School District in Iowa is the State's largest local educational agency (LEA) in a city setting, with 59 schools serving about 30,700 students. Des Moines was allocated approximately \$142.9 million in ESSER funds, and as of August 15, 2023, it had spent about \$128.7 million (90 percent) of its \$142.9 million ESSER allocation to address the impacts of the coronavirus pandemic. In its approved American Rescue Plan Act (ARP) ESSER plan, Des Moines 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 program activities.

What We Did

We selected and reviewed 20 non-personnel ESSER expenditures (2 percent) from a total population of 899 non-personnel expenditures for the period July 1, 2022, through June 30, 2023 (review period).² We used a judgmental, risk-based process to select the

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.

² We limited the scope of our review to non-personnel expenditures because they accounted for more than half of all ESSER expenditures (non-personnel and personnel) during our review period; personnel expenditures were excluded.

20 expenditures, which represented \$4,164,406 (24 percent) of the \$17,097,073 in total non-personnel 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 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 Des Moines 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 expenditure. We interviewed Des Moines 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 (Public Law 116-136); section 313(d) of the Coronavirus Response and Relief Supplemental Appropriations Act (Public Law 116-260); and section 2001(e) of ARP (Public Law 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 of the 20 expenditures reviewed, 17 (85 percent) were allowable and in accordance with applicable requirements, 2 (10 percent) were unallowable, and 1 (5 percent) was partially unsupported. Specifically, 17 expenditures were connected to the coronavirus pandemic, authorized uses of ESSER funds under applicable law and regulation, and reasonable and necessary and otherwise permissible under Uniform Guidance; and thus allowable. Two expenditures, totaling \$164,580, were unallowable because they were advertising and public relations costs designed solely to promote the LEA, costs that are prohibited under 2 C.F.R. section 200.421(e)(4). The remaining expenditure for heating, ventilation, and air conditioning (HVAC) upgrades, appeared to be allowable based on our review of the contracts provided. However, Des Moines did

not maintain adequate documentation to support proof of payment for a portion (\$33,326) of this \$666,527 expenditure. In addition, we found that Des Moines complied with the key procurement requirements 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 expenditure. See the following [table](#) for the summary results of our expenditure testing.

Table. Summary Results of Expenditure Testing

-	Allowable	Unallowable	Unsupported	Total
Number of Expenditures	17 (85 percent)	2 (10 percent)	1 (5 percent)	20 (100 percent)
Dollar Amount of Expenditures	\$3,966,500 ³ (95 percent)	\$164,580 (4 percent)	\$33,326 ⁴ (1 percent)	\$4,164,406 (100 percent)

Unallowable Expenditures

Des Moines improperly charged \$164,580 to the ARP ESSER grant for two expenditures for advertising and public relations consultant services as part of a marketing campaign designed explicitly to compete with other educational providers for students in the greater Des Moines metro area. Des Moines issued a request for proposals for marketing and advertising services in December 2021 that did not make any reference to the coronavirus pandemic and its impact on students, including, for example, whether such services were necessary to address chronic absenteeism in the district or otherwise enable it to respond to the social, emotional, mental health, physical health, safety, and academic needs of its students. The executed contract also did not note how this use of funds would help the district prevent, prepare for, or respond to the coronavirus pandemic. The Uniform Guidance provides for specific circumstances under which costs for advertising and public relations are allowable, and U.S. Department of Education guidance on the ESSER program identifies various types of outreach to students and families as permissible uses of grant funds. However, based on our review

³ This amount includes the portion (\$633,201) of the unsupported expenditure that we determined was allowable.

⁴ The total dollar amount for the unsupported expenditure was \$666,527. Of this amount, we determined that \$633,201 was allowable and \$33,326 was unsupported.

of all available information, we concluded that the two expenditures were related solely to promoting Des Moines and not to meeting grant requirements or addressing program goals.

According to 2 C.F.R. section 200.421(e)(4), the costs of advertising and public relations designed solely to promote the non-Federal entity are unallowable. Therefore, these expenditures, which were part of a larger \$400,000 contract with a vendor, should not have been charged to the ARP ESSER grant or any other Federal grant. At the exit briefing in June 2024, Iowa Department of Education's (Iowa) Administrative Consultant for Federal Programs told us that he was unsure why Iowa approved these two expenditures for reimbursement and noted that Iowa would look into this matter. Although no other costs for this contract were improperly charged to the ARP ESSER grant during our review period, there may have been improper charges to one of the LEA's ESSER or other Federal grants in periods not covered by our review. Improper payments can negatively impact the integrity of Federal programs, erode public trust in non-Federal entities such as LEAs, and waste taxpayer resources.

Unsupported Expenditure

Des Moines either did not pay or adequately support proof of payment for a portion (\$33,326) of one expenditure, totaling \$666,527, for HVAC upgrades. The unsupported amount of \$33,326 represents costs that Des Moines charged to the ARP ESSER grant and was reimbursed for but did not immediately or ever pay to the vendor. According to LEA officials, Des Moines could retain (withhold) a certain amount from the vendor in the form of a retainage fee until the vendor completed its contractual obligations. On September 28, 2022, Des Moines was reimbursed \$33,326 for a retainage fee that it withheld from the vendor. A Des Moines Public Schools Capital Improvement Coordination specialist told us that as of March 29, 2024, Des Moines had not paid \$33,326 to the vendor and we therefore concluded that this cost was unsupported. The regulations at 2 C.F.R. section 200.400(d), in part, state that the accounting practices of the non-Federal entity must provide adequate documentation to support costs charged to the Federal award.

Without documentation to support proof of payment of the \$33,326 amount, we could not determine whether the payment was proper or improper, or made at all. As discussed in the following section, there was also a cash management issue related to this retainage fee.

Cash Management Issue

Contrary to 2 C.F.R. section 200.305(b), Des Moines did not minimize the time elapsing between receipt of ARP ESSER grant funds for the retainage fee and disbursement of those funds to the vendor. Des Moines received ARP ESSER funds for a retainage fee of \$33,326 in late September 2022, but acknowledged that it still had not disbursed

\$33,326 to the vendor as of late March 2024 (about 18 months later). At the exit conference, Des Moines' Chief Financial Officer told us that the funds have been maintained in an operating account that earns interest.

Non-Federal entities other than States must minimize the time elapsing between the transfer of funds from the U.S. Treasury or pass-through entity and the disbursement by the non-Federal entity (2 C.F.R. section 200.305(b)). The non-Federal entity must maintain advance payments of Federal awards in interest-bearing accounts, unless certain conditions apply (for example, if the best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances) (2 C.F.R. section 200.305(b)(8)). Interest earned amounts up to \$500 per year may be retained by the non-Federal entity for administrative expenses. Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the Department of Health and Human Services Payment Management System (2 C.F.R. section 200.305(b)(9)).

It is critical that Des Moines and other LEAs do not draw Federal funds before they have immediate need for the funds. The U.S. Treasury incurs additional borrowing costs when an LEA draws Federal funds in advance of its immediate cash needs because the U.S. Treasury often borrows the cash needed to fund Federal programs and, as a result, incurs interest costs.

What We Recommend

We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education require Iowa to require Des Moines to—

1. Return to the U.S. Department of Education the \$164,580 that Des Moines improperly charged to the ARP ESSER grant for LEA advertising and public relations or reallocate the funds to other allowable costs. Identify any additional improper charges to ESSER grants for LEA advertising and public relations, including those made during periods not covered by our review, and if applicable, return the funds to the U.S. Department of Education or reallocate them to other allowable costs.
2. Provide documentation to support payment of the unsupported portion of the HVAC upgrades expenditure, return to the U.S. Department of Education the \$33,326 in ARP ESSER grant funds, or reallocate the funds to other allowable costs.
3. Calculate the interest earned (actual or imputed) on any ESSER grant funds that were retained (withheld) and not immediately paid to vendors, and if applicable, ensure that the correct amount of interest is returned to the Federal government in accordance with 2 C.F.R. section 200.305(b)(9).

4. Ensure that LEA officials responsible for making or reviewing and approving purchases receive sufficient training on Federal rules and regulations related to grant administration and management, particularly those addressing allowability, documentation requirements, and cash management.

Iowa's Comments

Iowa did not state whether it agreed or disagreed with our recommendations. Iowa provided feedback submitted by Des Moines and requested that we review it. Des Moines described the corrective actions it took for Recommendations 1 and 2, stating that it reallocated the ARP ESSER funds spent on LEA advertising and public relations (\$164,580) and the unsupported portion of HVAC upgrades (\$57,939)⁵ to payroll costs for virtual instruction and cleaning supplies and materials, respectively (other allowable costs). Des Moines further stated that it removed as expenses all fiscal year (FY) 2024 ARP ESSER transactions for advertising and, therefore, did not claim any advertising costs under ARP ESSER in FY 2024.

OIG Response

Des Moines' corrective actions, if implemented, are partially responsive to Recommendation 1 and fully responsive to Recommendation 2. Des Moines' reallocation of \$164,580 in ARP ESSER funds spent on LEA advertising and public relations costs to payroll costs for virtual instruction is responsive to the first part of Recommendation 1. However, its corrective actions only partially address the second part of Recommendation 1, which recommends that Des Moines identify any additional improper charges to ESSER grants for LEA advertising and public relations made during periods not covered by our review, and if applicable, return the funds to the U.S. Department of Education or reallocate them to other allowable costs. Although Des Moines noted that it removed as expenses all ARP ESSER transactions for advertising in FY 2024 (the fiscal year after the end of our audit period), it did not address in its feedback whether it reviewed and identified any ESSER transactions for advertising and public relations that may have occurred prior to the start of our audit period (that is, in FYs 2021 and 2022). If it has not already done so, and to ensure that its actions are fully responsive to Recommendation 1, Des Moines should also review expenditure data for FYs 2021 and 2022, and take appropriate corrective action if it identifies any additional improper charges to ESSER grants for LEA advertising and public relations. In addition,

⁵ This amount comprises the \$33,326 in unsupported costs that we identified in this report and an additional \$24,613 in costs that were not identified as unsupported costs in this report. When evaluating whether Des Moines' corrective actions, if implemented, were responsive to Recommendation 2, we limited our focus to the \$33,326 in unsupported costs that we identified in this report.

Des Moines still needs to take appropriate corrective action to address Recommendations 3 and 4, which were not addressed in the comments it submitted.

Appendix A. Scope and Methodology

Our review covered Des Moines' non-personnel ESSER expenditures from July 1, 2022, through June 30, 2023 (review period). We limited our scope to non-personnel expenditures because they accounted for more than half of all ESSER expenditures (non-personnel and personnel) during our review period. We limited our internal control work to gaining a basic understanding of how Des Moines' 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 Des Moines and Iowa officials on June 12, 2024.

Sampling Methodology

To determine whether Des Moines expended ESSER grant funds for allowable purposes in accordance with applicable requirements, we used a judgmental, risk-based process to select 20 non-personnel expenditures (2 percent) for review from a total population of 899 non-personnel expenditures for the period July 1, 2022, through June 30, 2023. We selected the 20 expenditures using one or a combination of high-dollar amount, duplicate amount, high indirect cost amount, no vendor name, and unclear transaction description. Of the 20 expenditures selected, 11 expenditures were high-dollar transactions exceeding \$100,000. The 20 expenditures represented \$4,164,406 (24 percent) of the \$17,097,073 in total non-personnel ESSER expenditures during our review period. The results of our testing apply only to the expenditures reviewed and cannot be projected to the universe of non-personnel ESSER expenditures.

Use of Computer-Processed Data

We relied, in part, on computer-processed data (LEA expenditure data) from Des Moines' accounting system. Des Moines provided us with a spreadsheet that contained 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 Des Moines 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 and proof of payment, 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
Des Moines	Des Moines Independent Community School District
ESSER	Elementary and Secondary School Emergency Relief
FY	fiscal year
HVAC	heating, ventilation, and air conditioning
Iowa	Iowa Department of Education
LEA	local educational agency
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

Kim Reynolds, Governor
Adam Gregg, Lt. Governor

September 05, 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/F24CA0170

Dear Mr. Sanders:

The purpose of this letter is to confirm the Iowa Department of Education (IDOE) has reviewed the draft flash report, "Des Moines Independent Community School District's use of Elementary and Secondary School Emergency Relief Grant Funds." The IDOE requests that OIG include in its final review the recent comments submitted to the IDOE by the Des Moines Independent Community School District (DMPS).

The DMPS would like to add the following comment from Kevin Olson, DMPS School Business Official, outlining recent actions taken by the district to implement OIG's recommendations:

"The Flash Review found \$164,579.52 of the vendor's expenses for advertising that were unallowable costs. The review provided a recommendation that DMPS could identify other allowable costs to be charged to ESSER III. DMPS provided IDOE the attached documents noting the GL transactions for advertising costs and the payroll expenses for virtual instruction. The advertising costs originally funded with ESSER III have been replaced with payroll costs for the district to provide virtual instruction. In addition, FY24 ESSER III transactions for advertising costs were removed as expenses from ESSER III. Therefore, the district did not claim any additional advertising expenses in FY 24 under the ESSER III funds.

The second item in the Flash Review was about the unsupported transactions for HVAC upgrades. A recommendation for these costs was to reallocate other ESSER III allowable costs which is what we chose to do. Attached is a list of cleaning supplies and materials expenses totaling \$57,938.54 that were originally funded from the general fund account. DMPS shifted these allowable expenses to ESSER III and moved the HVAC upgrade expenses to the general fund account."

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

Sandra Hurtado-Peters
Chief Financial Officer

Ensuring all students experience a world-class education.

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