



U.S. Department of Education
Office of Inspector General

Kentucky's Oversight of Local Educational Agency ARP ESSER Plans and Spending

October 12, 2023
ED-OIG/A22CA0095

ED OIG Oversight of Coronavirus Response Funds



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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services

October 12, 2023

Dr. Jason E. Glass
Commissioner of Education
Kentucky Department of Education
300 Sower Blvd., 5th Floor
Frankfort, KY 40601

Dear Commissioner Glass:

Enclosed is our final report, "Kentucky's Oversight of Local Educational Agency ARP ESSER Plans and Spending," Control Number ED-OIG/A22CA0095. This report incorporates the comments you provided in response to the draft report. The U.S. Department of Education's policy is to expedite 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 audit, you should send them directly to the following Department of Education official, who will consider them before taking final Departmental action on this audit:

Adam Schott
Deputy Assistant Secretary for Policy and Programs
Delegated the Authority to Perform the Functions and Duties of the Assistant Secretary
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 of Audit

Enclosure

Table of Contents

Results in Brief	1
Introduction	5
Finding 1. Kentucky Had Adequate Processes to Ensure That LEA ARP ESSER Plans Met Applicable Requirements.....	12
Finding 2. Kentucky’s Process for Reviewing LEA ARP ESSER Reimbursement Requests Should Be Documented and Could Be Strengthened in a Key Area	18
Appendix A. Scope and Methodology.....	30
Appendix B. Allowable Uses of ESSER Funds	36
Appendix C. Acronyms and Abbreviations.....	39
Kentucky Comments	40

Results in Brief

What We Did

The objectives of the audit were to determine whether the Kentucky Department of Education (Kentucky) had an adequate oversight process in place to ensure that (1) local educational agencies' (LEA) American Rescue Plan (ARP) Elementary and Secondary School Emergency Relief (ESSER) plans met applicable requirements and (2) LEAs use ARP ESSER funds in accordance with applicable requirements and their approved LEA ARP ESSER plans. Our review covered Kentucky's processes for reviewing and approving LEA ARP ESSER plans and overseeing LEAs' use of ARP ESSER funds from March 24, 2021, through July 31, 2022.

For both objectives, we gained an understanding of Kentucky's processes through interviews with key Kentucky officials and reviews of relevant documents and records, such as written procedures and guidance and technical assistance documents that Kentucky provided to LEAs. For the first objective, we reviewed the summary results of Kentucky's review of LEA ARP ESSER plan narrative submissions to verify that Kentucky approved the plan narratives for all 171 LEAs and gain an understanding of how often and why plan reviewers did not approve plans. We also reviewed the ARP ESSER plans for two LEAs, Warren County Public Schools (Warren County) and Jefferson County Public Schools (Jefferson County), to determine whether the plans met applicable requirements and verify that Kentucky was consistent in how it reviewed and approved the two plans. For the second objective, we reviewed samples of ARP ESSER expenditures at Warren County and Jefferson County to determine whether they used ARP ESSER funds in accordance with applicable requirements and their approved LEA ARP ESSER plans.

What We Found

Kentucky had adequate processes to ensure that LEA ARP ESSER plans met applicable requirements ([Finding 1](#)). It communicated clear, accurate, and timely guidance and technical assistance to LEAs regarding how and when to submit their ARP ESSER plans and what to include in those plans. Kentucky reviewed and approved the ARP ESSER plan narratives for all 171 LEAs. We determined that the ARP ESSER plans for Warren County and Jefferson County met applicable requirements and that Kentucky was consistent in how it reviewed and approved the two plans. Kentucky also designed a process to annually review and approve updated LEA ARP ESSER plans that, if implemented properly, is adequate to ensure that updated plans meet applicable requirements.

Kentucky's process for reviewing LEA ARP ESSER reimbursement requests should be documented and could be strengthened to provide additional assurance that LEAs use ARP ESSER funds for allowable purposes ([Finding 2](#)). While Kentucky has been consistent in how it oversees LEAs' use of ARP ESSER funds, it does not request a listing of expenditures or review any supporting documentation from LEAs as part of its review of LEA reimbursement requests. Without supporting documentation to verify that the expenditures are allowable and properly accounted for, there is an increased risk that Kentucky will not identify or become aware of significant compliance issues involving the ARP ESSER program. Additionally, Kentucky does not have written policies and procedures to guide personnel through the reimbursement process. Without documented processes for reviewing LEA reimbursement requests, Kentucky officials might not fully understand what is expected of them or what they should be reviewing. This could result in inconsistencies in how Kentucky personnel perform these reviews and missed opportunities to identify unallowable or questionable expenditures that should be analyzed more closely.

The ARP ESSER program was considered a higher risk program for 2022 according to 2 Code of Federal Regulations (C.F.R.) section 200.519(c)(2) and the Office of Management and Budget's 2 C.F.R. Part 200, Appendix XI, Compliance Supplement (April 2022). The Pandemic Response Accountability Committee, located within the Council of the Inspectors General on Integrity and Efficiency, stated that the unprecedented amount of money made available for pandemic relief and quick distribution of most funds put the money at a higher risk for fraud. We reviewed a total of 26 ARP ESSER expenditures for Warren County and Jefferson County (13 expenditures for each LEA) and identified issues at Warren County.¹ For Warren County, we identified one expenditure (\$9,200 for a golf cart) that was unallowable because it did not meet the overall purpose of the ARP ESSER program and four expenditures (equipment purchases totaling \$149,882) for which Warren County did not obtain prior written approval from Kentucky, contrary to 2 C.F.R. section 200.439(b) and Kentucky policy. Given the issues identified at Warren County and ARP ESSER's designation as a higher risk program, it is important for Kentucky to document and strengthen its processes for overseeing LEA ARP ESSER expenditures.

As of the end of our fieldwork, Kentucky had designed but not yet started additional monitoring of selected LEAs based on their overall risk (ARP ESSER monitoring). After the exit conference, Kentucky provided us with written policies and procedures for its ARP ESSER monitoring process. We reviewed those policies and procedures and

¹ Jefferson County's ARP ESSER expenditures were in accordance with applicable requirements (allowable) and aligned with its approved plan.

concluded that they were designed in a way that should enable Kentucky to identify and select high-risk LEAs for review and detect instances of noncompliance during monitoring reviews.

What We Recommend

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

- Design and document procedures to guide Kentucky personnel through the LEA reimbursement request process. The procedures should be in the form of written policies and procedures or protocols, and designed to ensure compliance with applicable requirements, including those covered in 2 C.F.R. Part 200 (Uniform Guidance) and ARP.
- In order to address the heightened risk associated with ARP ESSER funds, design and incorporate into its documented procedures for reviewing LEA reimbursement requests, protocols to sample LEA expenditures charged to ARP ESSER and review supporting documentation to ensure that applicable Federal, State, and local requirements are met.
- Implement its ARP ESSER monitoring policies and procedures, as designed, to provide additional assurance that LEAs use ARP ESSER funds in accordance with applicable requirements and their approved ARP ESSER plans.

Kentucky's Comments and Our Response

We provided a draft of this report to Kentucky for comment. We summarize Kentucky's comments at the end of Finding 2 and provide the full text of the comments at the end of the report ([Kentucky Comments](#)).

Kentucky neither agreed nor disagreed with the findings and with recommendation 2.2. Kentucky agreed with recommendation 2.1, but requested that the recommendation be removed or amended to reflect the actions it has already taken to address the recommendation. Kentucky disagreed with the phrasing of recommendation 2.3 and proposed alternative phrasing to clarify that its monitoring work is underway. Kentucky described the actions it has taken or plans to take in response to recommendations 2.1, 2.2, and 2.3. Kentucky's described actions were partially responsive to recommendations 2.1 and 2.2. To address recommendation 2.1, Kentucky developed and provided us with its written policies and procedures for the Federal Cash Request

review process.² Kentucky's development of those written policies and procedures is partially responsive to recommendation 2.1. However, the policies and procedures did not include steps for Kentucky personnel to sample LEA expenditures charged to the ARP ESSER grant and review supporting documentation to ensure that applicable Federal, State, and local requirements are met, as discussed in recommendation 2.2. To address recommendation 2.2, Kentucky stated that it will work with the Department to enhance its ARP ESSER reimbursement request review process by determining an appropriate increased level of review and adding steps to the reimbursement request review process. This is a good first step and if sampling LEA ARP ESSER expenditures and reviewing supporting documentation become part of Kentucky's increased level of review, Kentucky's proposed actions are responsive to our recommendation.

Kentucky disagreed with the phrasing of recommendation 2.3, stating that it has already begun implementing its ARP ESSER monitoring process. Kentucky noted that it began preparing for the ARP ESSER monitoring cycle in spring 2023, its monitoring formally started in June 2023, and its first monitoring site visits will occur in September 2023. We disagree with Kentucky's implication that the phrasing of recommendation 2.3 does not adequately acknowledge that some activities were already underway because we include in the report much of what Kentucky provided in its response. For example, in Finding 2, we note that Kentucky planned to start its ARP ESSER monitoring in June 2023 and that towards the end of our fieldwork, Kentucky had performed a risk assessment to select LEAs for ARP ESSER monitoring. We did not make any changes to the report or recommendations in response to Kentucky's comments. However, we did make clarifying edits to the report and recommendation 2.2 in response to technical comments provided by the Department.

² Kentucky also developed and provided us with its written policies and procedures for the Comprehensive District Improvement Plan Expenditure Report review process. We discussed this process in Finding 2 of the report but did not make any recommendations regarding the process.

Introduction

Background

On March 13, 2020, the President declared a national emergency due to the coronavirus pandemic. In response, 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, including \$189.5 billion for the Elementary and Secondary School Emergency Relief Fund (ESSER).

- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted on March 27, 2020 (Public Law 116-136), provided about \$13.2 billion for ESSER to address the impact that the coronavirus had and continues to have on elementary and secondary schools.
- The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), enacted on December 27, 2020 (Public Law 116-260), provided an additional \$54.3 billion for ESSER to help State educational agencies (SEA) and local educational agencies (LEA) safely reopen schools, measure and effectively address significant learning loss, and take other actions to mitigate the impact of the coronavirus on the students and families who depend on elementary and secondary schools.
- The American Rescue Plan Act (ARP), enacted on March 11, 2021 (Public Law 117-2), provided the remaining \$122 billion for ESSER to help SEAs and LEAs safely reopen and sustain the safe operation of schools and address the impact of the coronavirus pandemic on students.

ARP ESSER

On March 24, 2021, the U.S. Department of Education (Department) awarded about \$81 billion in ARP ESSER funds to SEAs, about two-thirds of each SEA's total allocation. To receive the remaining funds, each SEA was required to submit a plan to the Department's Office of Elementary and Secondary Education for approval that described how the SEA would use ARP ESSER funds to safely reopen schools, support sustained access to in-person instruction, and address the academic, social, emotional, and mental health needs of students. By December 2021, the Department had approved all SEA plans and awarded the remaining \$41 billion in ARP ESSER funds to SEAs. The Kentucky SEA plan was submitted in June 2021 and approved by the Department in August 2021.

State Educational Agency Reserve

Under ARP, SEAs were allowed to reserve up to 10 percent of their total ARP ESSER allocation for use by the SEA.³ Section 2001(f) of ARP required the SEA to set aside funds for certain activities and interventions that respond to students' academic, social, and emotional needs and address the disproportionate impact of the coronavirus on student subgroups, with Department guidance emphasizing that SEAs should focus their efforts on underserved student subgroups in particular. Specifically, from its total ARP ESSER allocation, the SEA was required to spend at least

- five percent for the implementation of evidence-based interventions aimed specifically at addressing learning loss, such as summer learning or summer enrichment, extended day, comprehensive afterschool programs, or extended school year programs;
- one percent for evidence-based summer enrichment programs; and
- one percent for evidence-based comprehensive afterschool programs.

Additionally, an SEA could use up to one-half of 1 percent of its total ARP ESSER allocation for administrative costs and up to 2.5 percent of its total ARP ESSER allocation for emergency needs as determined by the State to address issues related to the coronavirus pandemic.

Subgrants to Local Educational Agencies

Section 2001(d)(1) of ARP required SEAs to allocate at least 90 percent of their total ARP ESSER allocation to LEAs in the State to help meet a wide range of needs arising from the coronavirus pandemic, including reopening schools safely, sustaining their safe operation, and addressing students' social, emotional, mental health, and academic needs resulting from the pandemic. SEAs were required to allocate ARP ESSER funds to LEAs based on their respective shares of funds received under Title I, Part A of the Elementary and Secondary Education Act of 1965 (ESEA) in fiscal year (FY) 2020. Additionally, SEAs were required to allocate ARP ESSER funds to LEAs in an expedited and timely manner and, to the extent practicable, no later than 60 days after receiving their ARP ESSER funds.

Local Educational Agencies' ARP ESSER Plans

The interim final requirements (IFR) for the ARP ESSER Fund, effective April 22, 2021, require each LEA receiving ARP ESSER funds to develop and submit to the SEA a plan for the LEA's use of ARP ESSER funds.⁴ The LEA must submit the plan in accordance with the

³ ARP sections 2001(d) and (f).

⁴ Federal Register, IFR for ARP ESSER, 86 FR 21198.

procedures and deadline established by the SEA⁵ and make the plan publicly available on the LEA's website. At minimum, the LEA ARP ESSER plan must describe

- the extent to which and how the funds will be used to implement prevention and mitigation strategies that are, to the greatest extent practicable, consistent with the most recent Centers for Disease Control and Prevention (CDC) guidance on reopening schools, in order to continuously and safely open and operate schools for in-person learning;
- how the LEA will use the funds it reserves under section 2001(e)(1) of ARP to address the academic impact of lost instructional time through the implementation of evidence-based interventions, such as summer learning or summer enrichment, extended day, comprehensive afterschool programs, or extended school year;
- how the LEA will spend its remaining ARP ESSER funds consistent with section 2001(e)(2) of ARP; and
- how the LEA will ensure that the interventions it implements, including but not limited to the interventions implemented under section 2001(e)(1) of ARP to address the academic impact of lost instructional time, will respond to the academic, social, emotional, and mental health needs of all students, and particularly those students is proportionately impacted by the coronavirus pandemic, including students from low-income families, students of color, English learners, children with disabilities, students experiencing homelessness, children in foster care, and migratory students.

The IFR for ARP ESSER required an LEA to engage in meaningful consultation with stakeholders when developing its plan. These stakeholders include but are not limited to students, families, teachers, school and district administrators, and unions. An LEA was also required to consult with the following stakeholders to the extent present in or served by the LEA: tribes, civil rights organizations (including disability rights organizations), and those representing the interests of children with disabilities, English learners, children experiencing homelessness, children and youth in foster care, migratory students, children who are incarcerated, and other underserved students. Additionally, an LEA needed to provide the public with an opportunity to provide input on the plan and consider that input as it developed the plan. Lastly, the IFR for ARP ESSER required that LEA ARP ESSER plans be accessible, including to parents with limited

⁵ Per Federal Register, IFR for ARP ESSER, 86 FR 21199, the SEA must establish a deadline for an LEA to submit its plan that is reasonable and should be no more than 90 days after receiving its ARP ESSER allocation.

English proficiency and individuals with a disability. The Kentucky Department of Education required LEAs to submit their ARP ESSER plan by July 31, 2021. Beginning in November 2022, it required LEAs to submit (at least annually) updated ARP ESSER plans for its review and approval.

Local Educational Agencies' Use of ARP ESSER Funds

Section 2001(e)(1) of ARP requires an LEA to reserve at least 20 percent of its ARP ESSER allocation to address the academic impact of lost instructional time (learning loss) through the implementation of evidence-based interventions—for example by providing intensive or high-dosage tutoring or accelerating learning. LEAs must ensure that the interventions respond to students' academic, social, and emotional needs and address the disproportionate impact of the coronavirus on underrepresented student subgroups.

An LEA may use the other 80 percent of its ARP ESSER allocation for a broad range of activities, including any activities allowed under the ESEA, Individuals with Disabilities Education Act, the Strengthening Career and Technical Education for the 21st Century Act, and the Adult Education and Family Literacy Act.

For example, an LEA may use ARP ESSER funds to

- implement coronavirus prevention strategies to safely reopen schools, maximize in-person instruction, and align with public health guidance, including upgrading school facilities for healthy learning environments;
- address the mental health needs of students, including by using funds to hire counselors and other staff;
- provide integrated student support services, including by using full-service community schools and assisting homeless children and youth in attending and participating in school activities;
- connect elementary and secondary education students to high-quality home internet and devices; and
- stabilize and diversify the educator workforce.

LEAs can also use ARP ESSER funds for any activity deemed allowable under section 18003(d) of the CARES Act and section 313(d) of CRRSAA. See [Appendix B](#) for a summary of allowable uses of ESSER funds under the CARES Act, CRRSAA, and ARP.

Maintenance of Equity

Section 2004(b) and (c) of ARP includes new equity requirements, called maintenance of equity (MOEquity), that are a condition for SEAs and LEAs receiving ARP ESSER funds. MOEquity provisions help ensure that schools and LEAs serving large proportions of

historically underserved groups of students receive an equitable share of State and local funds. MOEquity requirements ensure that in FYs 2022 and 2023 an SEA does not disproportionately reduce per-pupil State funds to high-need LEAs or reduce per-pupil State funding to the highest-poverty LEAs below their FY 2019 level, and that an LEA does not disproportionately reduce State and local per-pupil funding in high-poverty schools or disproportionately reduce the number of full-time-equivalent staff per pupil in high-poverty schools.⁶

According to the Department's Frequently Asked Questions on ARP ESSER MOEquity Requirements (July 26, 2022), MOEquity exceptions for LEAs may be granted by the SEA or Department for various reasons, including those listed under section 2004(c)(2) of ARP. Section 2004(c)(2) of ARP states that an LEA does not need to maintain equity if the LEA meets one or more of the following:

1. Has a total enrollment of less than 1,000 students.
2. Operates a single school.
3. Serves all students within each grade span with a single school.
4. Demonstrates an exceptional or uncontrollable circumstance, such as unpredictable changes in student enrollment or a precipitous decline in the financial resources of the LEA as determined by the Department's Secretary.

Additionally, the Department determined that timing and implementation challenges due to the pandemic (specifically related to LEA budgeting) are examples of exceptional or uncontrollable circumstances that justify a limited exception to the local MOEquity requirements for FYs 2022 and 2023. An LEA experiencing these circumstances may demonstrate that it is excepted from the requirements for a given year by certifying to the SEA that it will not implement an aggregate reduction in combined State and local per-pupil funding in that year. Per the final requirements for the ARP ESSER Fund, effective June 8, 2022,⁷ each State must publish the names of the LEAs that are excepted under each exception category. Each State must determine the most appropriate way to publish and list this information so that parents, families, and the general public in the State will be able to access and understand the information.

⁶ Section 2004(d)(4)(A) of ARP defines a high-poverty school as a school that is in the highest quartile of schools served by the LEA based on the percentage of economically disadvantaged students served.

⁷ Federal Register, Final Requirements for ARP ESSER Fund, 87 FR 34790.

Kentucky Department of Education

The Kentucky Department of Education (Kentucky), which is led by an appointed Commissioner of Education, is charged with overseeing public preschool–12 education in the Commonwealth of Kentucky. Kentucky’s Office of Continuous Improvement and Support (OCIS) and Office of Finance and Operations (OFO) are responsible for the administration and oversight of ARP ESSER subgrants to LEAs. The Commonwealth of Kentucky has 171 LEAs⁸ and 1,477 public schools that collectively serve about 648,000 students. As of July 31, 2022 (the end of our audit period), Kentucky had drawn down about \$418.8 million (21 percent)⁹ of its \$2 billion ARP ESSER allocation. As part of the audit, we selected two Kentucky LEAs for review: Jefferson County Public Schools and Warren County Public Schools.

Jefferson County Public Schools

Jefferson County Public Schools (Jefferson County), located in Louisville, Kentucky, is the largest LEA in the State with 165 schools that serve about 96,000 students. Jefferson County was allocated approximately \$384 million in ARP ESSER funds. As of July 31, 2022, Jefferson County had spent about \$200.3 million (52 percent) of its \$384 million ARP ESSER allocation. Of the \$200.3 million, Jefferson County spent about \$165 million (82 percent) to address learning loss and \$35.3 million (18 percent) in other areas. In its approved ARP ESSER plan, Jefferson County stated that it planned to use its 20 percent learning loss reserve, in part, for continuous and extended learning, student learning centers, and mental health and special education support for students and the remainder of its funds for workforce and leadership development and equitable access to technology.

Warren County Public Schools

Warren County Public Schools (Warren County), located in Bowling Green, Kentucky, is the fourth largest LEA in the State with 23 schools that serve about 18,000 students. Warren County was allocated approximately \$34.4 million in ARP ESSER funds. As of July 31, 2022, Warren County had spent about \$16.2 million (47 percent) of its \$34.4 million ARP ESSER allocation. Of the \$16.2 million, Warren County spent about \$2.9 million (18 percent) to address learning loss and \$13.3 million (82 percent) in other areas. In its approved ARP ESSER plan, Warren County stated that it planned to use its 20 percent learning loss reserve, in part, for instructional coaches, the development of a preschool academy, extended school services in the summer, and technology for virtual

⁸ Of the 171 LEAs, 120 are county school districts and 51 are independent districts, meaning they are controlled by local municipalities.

⁹ In this report, we round all percentages to the nearest whole number.

learning and the remainder of its funds for technology (such as hotspot devices and audio and video equipment), mental health providers, and arts education (such as music, band, and physical education).

Finding 1. Kentucky Had Adequate Processes to Ensure That LEA ARP ESSER Plans Met Applicable Requirements

Kentucky had adequate processes to ensure that LEA ARP ESSER plans met applicable requirements. Kentucky communicated clear, accurate, and timely guidance and technical assistance to LEAs regarding how and when to submit their ARP ESSER plans and what to include in those plans. Its process for reviewing and approving plans was rigorous and designed to ensure that the plans adequately addressed applicable requirements. Kentucky used a checklist to guide its review and approval of LEA ARP ESSER plans. The checklist adequately addressed all applicable plan requirements and was used by Kentucky's plan reviewers for all 171 LEAs. We found that Kentucky approved an LEA ARP ESSER plan narrative for all 171 LEAs. We reviewed the ARP ESSER plans and related plan approval documents for two LEAs (Warren County and Jefferson County) and determined that both plans met applicable requirements and that Kentucky was consistent in how it reviewed and approved the two plans. Both LEAs submitted their ARP ESSER plans timely, properly posted the plans on their websites, and included all required information in the plans. Kentucky designed a process to annually review and approve updated LEA ARP ESSER plans that, if implemented properly, is adequate to ensure that updated plans meet applicable requirements.

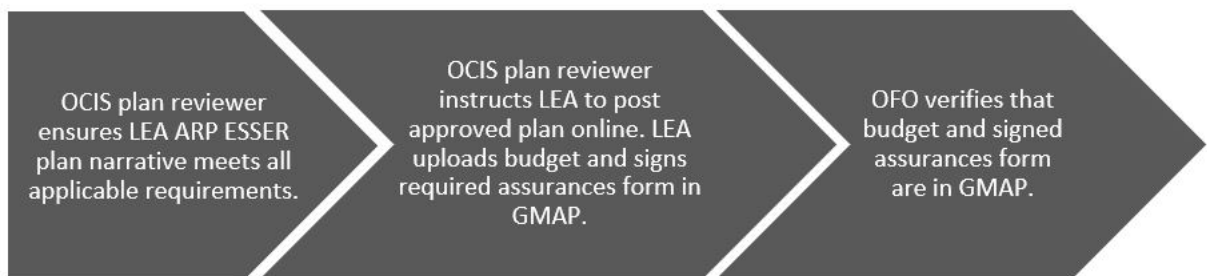
Technical Assistance, Guidance, and Training Provided to LEAs

Kentucky provided technical assistance and guidance to LEAs, in part, through dissemination of Frequently Asked Questions documents (prepared by the Department), its website, weekly newsletters, and webcasts. The technical assistance and guidance provided to LEAs covered various topics, including ARP ESSER plan narrative requirements, plan submission instructions and deadlines, meaningful consultation under ARP ESSER, and spending plan budget and signed assurances form submission requirements. Kentucky also provided resources and training to LEAs on relevant topics such as the ARP ESSER awarding process, LEA ARP ESSER plans, and evidence-based practices. Kentucky provided a large portion of this technical assistance, guidance, and training to LEAs in April, May, and June 2021, which was 1 to 3 months before LEAs were required to submit their ARP ESSER plans (July 31, 2021). We determined that Kentucky communicated clear, accurate, and timely guidance and technical assistance to LEAs regarding how to develop and submit their LEA ARP ESSER plans and what to include in those plans.

Kentucky's Review and Approval of LEA ARP ESSER Plans

In accordance with the IFR for ARP ESSER,¹⁰ Kentucky established a deadline for LEAs to submit their ARP ESSER plan (July 31, 2021) that was reasonable. The deadline was also no more than 90 days after LEAs received their ARP ESSER allocation, which followed guidance that the Department provided in its IFR and State plan template. Kentucky required LEAs to submit, within 32 days of receiving their ARP ESSER allocation, narratives for how the LEAs planned to spend their ARP ESSER funds.¹¹ LEAs were also required to submit a spending plan budget and assurances form¹² for review. Kentucky's OCIS was responsible for reviewing and approving the LEA ARP ESSER plan narratives and its OFO was responsible for reviewing the LEA spending plan budgets and assurances forms in Kentucky's Grant Management Application and Planning (GMAP) system.¹³ Kentucky's process for reviewing and approving plans is summarized in Figure 1 and further described in the sections that follow.

Figure 1. Summary of Kentucky's Processes for Reviewing and Approving Plans



OCIS Review of LEA Plan Narratives

The OCIS Policy Advisor and 10 OCIS Title I consultants (collectively, plan reviewers) reviewed the LEA ARP ESSER plan narratives to ensure that they included required information in key areas and otherwise met all applicable requirements, and

¹⁰ Federal Register, IFR for ARP ESSER, 86 FR 21199.

¹¹ Kentucky notified LEAs of their ARP ESSER allocations on June 29, 2021, via LEA Award Notification letters.

¹² The ARP ESSER Assurances form lists the required actions an LEA must implement throughout the life of the ARP ESSER grant. It also includes a statement that the LEA assures that it will use ARP ESSER funds for activities allowable under section 2001(e) of ARP and will reserve at least 20 percent to address learning loss.

¹³ GMAP is a web-based system that Kentucky uses to manage its grants.

summarized the results of their reviews.¹⁴ We reviewed the summary results to verify that Kentucky approved an ARP ESSER plan for all 171 LEAs and to assess the rigor of Kentucky's review and approval process, including how often and why it did not approve plans. We determined that Kentucky approved an ARP ESSER plan for all 171 LEAs. We concluded that Kentucky's review and approval process was of sufficient rigor based on the high number of reviews performed, the various reasons for not initially approving plan narratives, and the overall scrutiny that plan reviewers applied for each requirement. Kentucky performed a total of 357 reviews for the 171 LEAs, an average of more than 2 reviews per LEA. Only 24 (14 percent) of 171 LEAs had their plan narratives approved by Kentucky on the first review. One LEA had its plan narrative reviewed five times before Kentucky approved it, further demonstrating the rigor of Kentucky's review and approval process.

The OCIS plan reviewers used a checklist, comprised of yes or no questions for each applicable requirement, to guide their reviews. The plan reviewers checked *yes* if the narrative met a requirement or *no* if the narrative did not meet a requirement. If there was a *no* response for any question on the checklist, the plan reviewer returned the plan to the LEA and provided detailed feedback on what needed to be corrected or added. The LEA then refined its narrative until the plan reviewer was satisfied that it met all applicable requirements. During their reviews, the plan reviewers were primarily focused on verifying that the LEA ARP ESSER plan narratives included sufficient information in the following six areas, as required by the IFR for ARP ESSER,¹⁵ Kentucky, or both:

1. The extent to which and how the funds will be used to implement prevention and mitigation strategies that are, to the greatest extent practicable, in line with the most recent CDC guidance, in order to continuously and safely operate schools for in-person learning.
2. How the LEA will use the funds it reserves under section 2001(e)(1) of ARP to address the academic impact of lost instructional time through the implementation of evidence-based interventions (20 percent learning loss).
3. How the LEA will ensure that the interventions it implements, including but not limited to the interventions under section 2001(e)(1) of ARP to address the

¹⁴ The OCIS Policy Advisor trained the Title I consultants on how to review and approve the LEA plan narratives. The training included an overview of Kentucky's review and approval process for LEA ARP ESSER plans, plan narrative requirements, evidence-based practices, and meaningful consultation.

¹⁵ Federal Register, IFR for ARP ESSER, 86 FR 21198-21199.

academic impact of lost instructional time, will respond to the academic, social, emotional, and mental health needs of all students.

4. Relevant citations for evidence-based practices.
5. How the LEA will engage in meaningful consultation and seek public input as it develops the LEA ARP ESSER plan.
6. How the LEA will spend its remaining ARP ESSER funds consistent with section 2001(e)(2) of ARP.

Reasons why Kentucky did not approve LEA plan narratives included, but were not limited to, missing or incomplete information regarding how the LEA would use funds reserved for learning loss, how the LEA conducted meaningful consultation and incorporated stakeholder feedback when developing its plan, and relevant evidence-based citations. The most common reason why Kentucky did not approve LEA ARP ESSER plan narratives on the first review was missing or incomplete information regarding meaningful consultation and stakeholder feedback. In fact, 141 (82 percent) of the 171 LEAs did not provide adequate information in this area the first time they submitted their plan narrative. The vast majority (111, or 79 percent) of these LEAs provided sufficient information in their narratives to meet this requirement on the next submission. The remaining 30 LEAs (21 percent) had to submit their plan narratives up to 3 more times before Kentucky approved them.

Warren County and Jefferson County ARP ESSER Plans

We reviewed the ARP ESSER plans and related plan approval documents for Warren County and Jefferson County and determined that both plans met applicable requirements. Both LEAs submitted their ARP ESSER plans timely, properly posted the plans on their websites, and included all required information in the plans. Kentucky was consistent in how it reviewed and approved the plans for both LEAs and both plans were approved on the first review.

During our review of Warren County, we noticed that although its website included accessibility options for the visually impaired and for converting content in multiple languages, the website did not provide LEA contact information for parents with limited English proficiency or individuals with disabilities who might need additional assistance.¹⁶ We shared this information with Warren County officials and they took corrective action by adding accessibility contact information to the Warren County website. We found that the updated Warren County website was sufficient to meet the

¹⁶ Per Federal Register, IFR for ARP ESSER, 86 FR 21199, LEA ARP ESSER plans must be accessible, including to parents with limited English proficiency and individuals with a disability.

LEA ARP ESSER plan accessibility requirement and determined that no additional actions were required.

OFO Review of LEA Spending Plan Budgets and Assurances

After the OCIS plan reviewers approved the plan narratives, they notified (by email) the LEAs of the approval and required the LEAs to upload their ARP ESSER spending plan budget and sign their ARP ESSER Assurances form in GMAP. Kentucky required LEA superintendents to electronically sign the ARP ESSER Assurances form in GMAP. By signing the assurances form, the LEAs promised to comply with applicable Federal requirements while administering ARP ESSER funds. Kentucky's OFO personnel then accessed GMAP and verified that the LEAs had uploaded their spending plan budgets and that the assurances forms had been signed by the superintendents. Once OFO personnel verified that these two actions had been completed in GMAP, the LEA could submit a request to Kentucky for ARP ESSER funds (reimbursement funding method).

The spending plan budget is a form in GMAP with fields for cost accounting codes and descriptions, budgeted amounts, and expenditure narratives. The form also includes a specific section for the LEA to input the same information for the 20 percent of ARP ESSER funds reserved for learning loss. GMAP has controls to ensure that LEAs correctly upload their spending plan budgets and that basic requirements are met, which include having preloaded budget categories that align with approved ARP ESSER cost accounting codes and a designated section to account for the 20 percent of funds reserved for learning loss.

OCIS Review of Updated LEA ARP ESSER Plans

In November 2022, Kentucky began requiring its LEAs to submit in GMAP their updated ARP ESSER plan narratives and spending plans, which would be reviewed and approved by the OCIS plan reviewers.¹⁷ LEAs are required to include a functioning website link to their updated ARP ESSER plans. In their updated spending plan budgets, LEAs are required to identify all items with a unit cost of \$5,000 or more. According to the OCIS Associate Commissioner, this new requirement was incorporated to streamline the process for LEAs to obtain the required approval from Kentucky for items with a unit cost of \$5,000 or more.¹⁸ The OCIS plan reviewers will use a checklist (ARP ESSER Consultant Checklist) maintained in GMAP to guide their reviews, provide technical assistance and feedback to LEAs as needed, and verify that

¹⁷ Kentucky also required its LEAs to submit an updated Safe Return to In-Person Instruction plan. For this audit, we limited our review to LEAs' use of funds plans and related spending plan budgets.

¹⁸ Kentucky previously required LEAs to obtain approval via email for these items.

- the LEA provides a functioning link to its ARP ESSER plan;
- the ARP ESSER plan narrative aligns with the spending plan budget narrative;
- the spending plan budget items are reasonable, allocable, necessary, and substantially align to the types of activities reported in the ARP ESSER plan narrative and Provision of Services page;¹⁹ and
- the spending plan budget allocates at least 20 percent of the ARP ESSER funds for learning loss activities.

If not initially approved, the LEA will need to refine its updated documents until the plan reviewer is satisfied that all applicable requirements have been met. While updated information can be provided and reviewed at any time, the OCIS Associate Commissioner told us that Kentucky would annually perform this review for all 171 LEAs for the duration of the ARP ESSER grant. We reviewed the design of Kentucky's process for annually reviewing and approving updated ARP ESSER plan information. We concluded that the process, if implemented properly, is adequate to ensure that updated LEA ARP ESSER plans meet applicable requirements.

A non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that it is managing the award in compliance with Federal statutes, regulations, and the terms and conditions of its award (2 Code of Federal Regulations (C.F.R.) section 200.303(a)). These internal controls should be compliant with the Comptroller General of the United States' guidance in the U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (September 2014) or the Committee of Sponsoring Organizations of the Treadway Commission's *Internal Control Integrated Framework*. One component of internal control is control activities. Section 10.01 of GAO's *Standards for Internal Control in the Federal Government* states that management should design control activities to achieve objectives and respond to risks.

¹⁹ The Provision of Services page is a form in GMAP that the LEA uses to describe how it plans to spend ARP ESSER grant funds.

Finding 2. Kentucky's Process for Reviewing LEA ARP ESSER Reimbursement Requests Should Be Documented and Could Be Strengthened in a Key Area

Kentucky's process for reviewing LEA ARP ESSER reimbursement requests should be documented and could be strengthened in a key area to provide additional assurance that LEAs use ARP ESSER grant funds for allowable purposes. Kentucky monitored LEAs' use of ARP ESSER funds, in part, by reimbursing LEAs after verifying that their reimbursement request aligned with the approved budget and did not exceed the amount awarded (reimbursement process) and reviewing expenditure reports for all LEAs each quarter to verify that expenditures were assigned to an allowable code and did not exceed budgeted amounts (quarterly review process). While Kentucky has been consistent in how it oversees LEAs' use of ARP ESSER funds, it does not request or review any supporting documentation (such as contracts, receipts, and invoices) from LEAs as part of its review of LEA reimbursement requests. Kentucky also does not have written policies and procedures to guide personnel through the reimbursement process. We reviewed a total of 26 ARP ESSER expenditures for Warren County and Jefferson County (13 expenditures for each LEA) and identified issues at Warren County. For Warren County, we identified one expenditure (\$9,200 for a golf cart) that was unallowable because it did not meet the overall purpose of the ARP ESSER program and four expenditures (equipment purchases totaling \$149,882) for which Warren County did not obtain prior written approval from Kentucky, contrary to 2 C.F.R. section 200.439(b) and Kentucky policy.

As of the end of our fieldwork, Kentucky had designed but not yet started additional monitoring of selected LEAs based on their overall risk (ARP ESSER monitoring). After the exit conference, Kentucky provided us with written policies and procedures for its ARP ESSER monitoring process. We reviewed Kentucky's ARP ESSER monitoring policies and procedures and concluded that they were designed in a way that should enable Kentucky to identify and select high-risk LEAs for review and detect instances of noncompliance during those reviews.

Kentucky's Oversight of LEA MOEquity Requirements.

Kentucky published on its website the names of the LEAs receiving an ARP ESSER MOEquity exception and the reasons for those exceptions, in accordance with the final requirements for the ARP ESSER Fund.²⁰ All 171 LEAs requested and received an ARP

²⁰ Federal Register, Final Requirements for ARP ESSER Fund, 87 FR 34790.

ESSER MOEquity exception for FY 2022.²¹ For an LEA seeking a MOEquity exception for an exceptional or uncontrollable circumstance, and where there was no aggregate reduction in State and local per-pupil funding, Kentucky required the LEA's superintendent to submit a signed LEA Certification of Exception from Local Maintenance of Equity Requirements form in Kentucky's GMAP. All other LEAs were required to email their MOEquity exception requests to the Kentucky's Assistant Director, Division of District Support for verification or request a special exception from the Department. Warren County and Jefferson County requested an ARP ESSER MOEquity exception for an exceptional or uncontrollable circumstance with no aggregate reduction in State and local per-pupil funding and their superintendents signed the required certification in GMAP. We concluded that both LEAs provided the required documentation and certification to support their exemption.

Technical Assistance, Guidance, and Training Provided to LEAs

Kentucky provided technical assistance and guidance to LEAs, in part, through dissemination of Frequently Asked Questions documents (prepared by the Department), its website, weekly newsletters, and webcasts. The technical assistance and guidance provided to LEAs covered various topics, including allowable uses of ARP ESSER funds and the ARP ESSER MOEquity requirements. Kentucky provided a large portion of this technical assistance and guidance to LEAs before LEAs could access their ARP ESSER funds. We determined that Kentucky communicated clear, accurate, and timely guidance and technical assistance to LEAs regarding allowable uses of ARP ESSER funds and the applicable MOEquity requirements.

Kentucky's Processes for Monitoring LEAs' Use of ARP ESSER Funds

Kentucky monitored LEAs' use of ARP ESSER funds through its reimbursement and quarterly review processes. As of the end of our fieldwork, Kentucky had designed but not yet started its ARP ESSER monitoring. These processes are described in the next three sections, respectively. Figure 2 provides an overview of Kentucky's review of LEA ARP ESSER reimbursement requests.

²¹ Of the 171 LEAs that received an exception to MOEquity requirements, 118 LEAs cited that they experienced an exceptional or uncontrollable circumstance with no aggregate reduction, 30 LEAs cited that they have a total enrollment of less than 1,000 students, 22 LEAs cited that they serve all students within a single school per grade span, and 1 LEA was granted an exception from the Department for exceptional circumstances.

Reimbursement Process

Kentucky reimburses LEAs for their ARP ESSER expenditures in the same way it reimburses LEAs for their other Federal grant expenditures. Kentucky requires an LEA to submit a Federal Cash Request (FCR) form to be reimbursed for its ARP ESSER expenditures. The LEA is required to enter the following amounts on the FCR form: approved budget, total expenditures to date, and previous cash received. The total expenditures to date amount is an aggregate and thus not broken down by object or category code. Once the LEA enters that data, the current reimbursement request amount (expenditures to date less previous cash received) and remaining grant balance (approved grant balance less expenditures to date and current reimbursement request) are automatically calculated on the FCR form. LEAs then email their completed FCR forms to Kentucky's OFO.²²

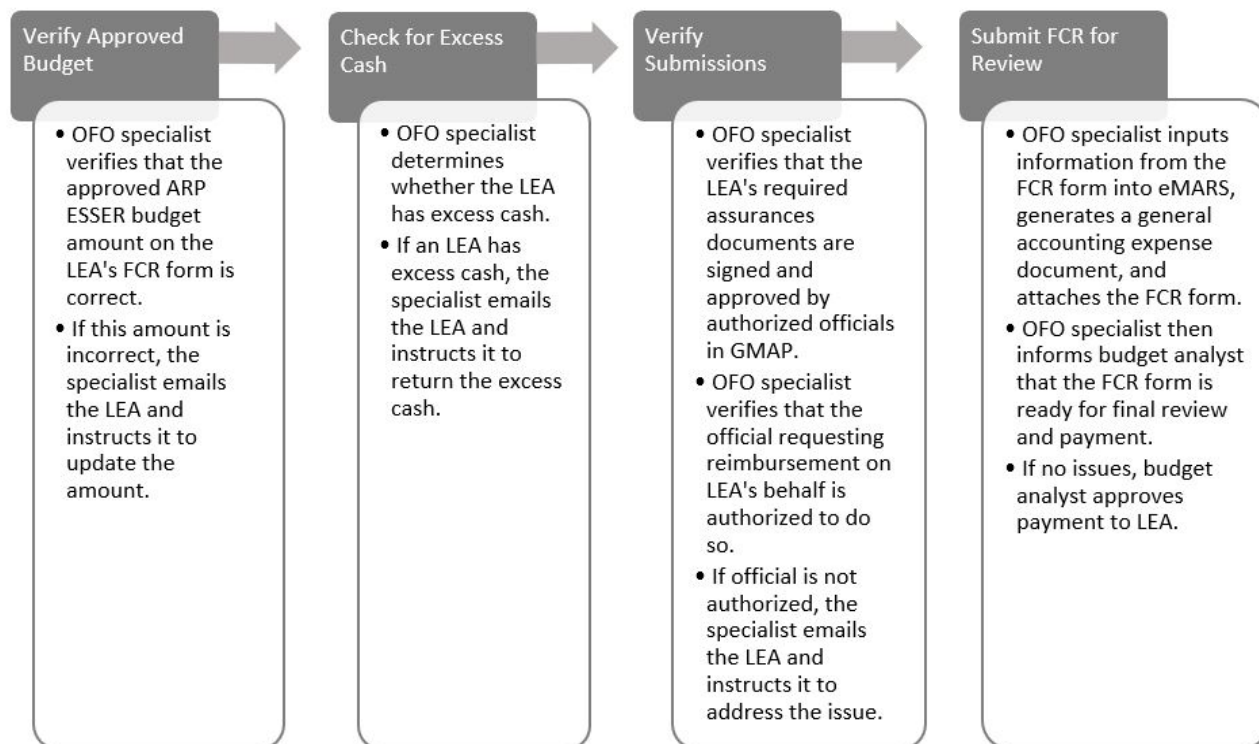
A Federal program specialist and budget analyst within OFO's Accounting and Finance Branch are responsible for reviewing and approving, respectively, the LEA ARP ESSER reimbursement requests. The specialist determines whether the LEA has excess cash by comparing the previous cash received amount on the FCR form with related expenditure information in an FCR Expenditure Report generated from Kentucky's Enhanced Management Administrative and Reporting System (eMARS). Next, the specialist verifies that the LEA's required assurances documents (FCR Statement of Assurances and District Funding Assurances) are signed and approved by authorized officials in GMAP.²³ The specialist also verifies that the person requesting reimbursement on the LEA's behalf is listed on the FCR Statement of Assurances. If the assurances documents are not signed or the person submitting the reimbursement request is not authorized to do so, the specialist emails the LEA and instructs it to address the issue. The specialist then enters the FCR form payment information in eMARS, generates a general accounting expense document, and attaches the FCR form to the general accounting expense document. When notified by the specialist that the FCR form is ready for final review and approval, the budget analyst verifies that the FCR form is attached to the general accounting expense document and checks for any data entry errors that may have occurred when the Federal program specialist entered data from the FCR form into

²² LEAs send their FCR forms to a Kentucky email account that can be accessed by a Federal program specialist within OFO.

²³ Kentucky requires an LEA's superintendent or designee to sign the FCR Statement of Assurances document, which certifies that the information on the FCR form is accurate, properly reviewed, and submitted in accordance with State and Federal regulations. The District Funding Assurances document requires the LEA superintendent to assure that all school districts are in compliance with applicable assurances and that the assurances have been approved by the LEA's Board of Education.

eMARS. If there are no errors, the budget analyst approves payment to the LEA. Figure 2 provides an overview of Kentucky’s review of LEA ARP ESSER reimbursement requests.

Figure 2. Kentucky’s Review of LEA ARP ESSER Reimbursement Requests



Kentucky incorporated useful controls into its reimbursement process, including verifying that key information on the FCR form was correct, LEA assurances documents were properly submitted and approved in GMAP, and an authorized LEA official submitted the reimbursement request. However, Kentucky’s process for reviewing LEA ARP ESSER reimbursement requests could be strengthened by requiring LEAs to provide a listing of their ARP ESSER expenditures and supporting documentation for a sample of those expenditures (as requested by Kentucky) as part of their reimbursement request. Without this information, it would be difficult for Kentucky to reasonably assure that the expenditures for which the LEAs are seeking reimbursement are allowable and properly accounted for, and there is an increased risk that Kentucky will not identify or become aware of significant compliance issues involving the ARP ESSER program. LEAs’ misuse or mismanagement of ARP ESSER funds reduces the funds available for students and schools that need them.

The ARP ESSER program was considered a higher risk program for 2022 according to 2 C.F.R. section 200.519(c)(2).²⁴ The Pandemic Response Accountability Committee stated that the unprecedented amount of money made available for pandemic relief and quick distribution of most funds put the money at a higher risk for fraud.²⁵ Further, ARP ESSER funds can be used for a wide range of activities spanning multiple coronavirus response and relief laws. This scenario, in conjunction with Kentucky not reviewing supporting documentation on at least a sample basis, could allow for the unintentional or intentional misuse of ARP ESSER funds by grantees and subgrantees and result in fraud, waste, and abuse going undetected. Without additional controls over the LEA reimbursement request process, Kentucky may fail to properly address these heightened risks, leaving ARP ESSER funds at greater risk of misuse.

Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that they are managing the award in compliance with Federal statutes, regulations, and the terms and conditions of the award (2 C.F.R. section 200.303(a)). State grantees (pass-through entities) are required to establish monitoring priorities based on the risks posed by each subgrantee and monitor the fiscal activity of subgrantees as necessary to ensure that the subaward is used for authorized purposes, complies with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved (2 C.F.R. section 200.332). In addition, section 10.01 of GAO's *Standards for Internal Control in the Federal Government*, states that management should design control activities to achieve objectives and respond to risks.

We also found that Kentucky does not have written policies, procedures, or protocols to guide its reimbursement process. Kentucky prepared a narrative of its reimbursement process for the independent auditors conducting its annual Statewide single audit.²⁶ However, that narrative is not used by Kentucky management or staff and thus does not

²⁴ Federal agencies, with the concurrence of the Office of Management and Budget, may identify Federal programs that are higher risk and identify them as such in the Compliance Supplement. The ARP ESSER program was identified as a higher risk program in the Office of Management and Budget's 2 C.F.R. Part 200, Appendix XI, Compliance Supplement, dated April 2022.

²⁵ The CARES Act established the Pandemic Response Accountability Committee within the Council of Inspectors General on Integrity and Efficiency, the oversight and coordination body for the Inspector General community.

²⁶ Kentucky is required to provide a narrative of its FCR (reimbursement) process to the Kentucky Auditor of Public Accounts as part of the Kentucky Statewide single audit. The narrative is used by the Auditor of Public Accounts' office to gain an understanding of the process and test whether the identified procedures are followed.

constitute documented processes that Kentucky personnel follow. Section 12.01 of GAO's *Standards for Internal Control in the Federal Government* states that management should implement control activities through policies. Section 12.04 suggests that those in key roles further define policies through day-to-day procedures depending on the rate of change in the operating environment and complexity of the operational process. Further, Kentucky's Internal Control Handbook states that, "[t]he best designed internal controls are not completely effective unless they are backed up and documented into formal policies. Without documentation, internal controls can erode over time and employees may implement undocumented internal controls inconsistent with management's intentions." Without documented procedures to guide its reimbursement process, Kentucky officials and employees might not fully understand what is expected of them or what they should be reviewing, and it could result in inconsistencies in how reimbursement requests are reviewed and approved. Documented procedures also help facilitate the training of new and current employees and ensure that employees perform processes consistently.

Quarterly Review Process

Each quarter, program specialists within Kentucky's Division of Budget and Financial Management review budgeted and actual expenditure information for all 171 LEAs. Kentucky requires LEAs to submit, via email, a summary Comprehensive District Improvement Plan (CDIP) report within 25 days after the end of each quarter. LEAs use Kentucky's Municipal Users Network Information System (MUNIS)²⁷ to create the summary CDIP report each quarter. The summary CDIP report, in part, shows the total amount budgeted for ARP ESSER; the amounts expended by month, quarter, and year; and the amount of funds available by cost code. For each LEA, the program specialists compare the total actual expenditures for each cost code (as shown in the summary CDIP report) to the cost code included in Kentucky's ARP ESSER funding matrix.²⁸ They also compare ARP ESSER budget information in the LEA's summary CDIP report to the revised budget total in the Federal allocation spreadsheet²⁹ to ensure they align. If errors are identified during the quarterly review (for example, if ARP ESSER expenditures were coded to an unallowable cost code), the program specialist emails

²⁷ MUNIS is a web-based, grants management system that all Kentucky LEAs use to track and account for their local, State, and Federal funds, using the standardized accounting codes and procedures established by Kentucky to account for their ARP ESSER funds.

²⁸ Kentucky created a funding matrix that showed the accounting codes where ARP ESSER expenditures could be charged (codes that would generally represent an allowable use of ARP ESSER funds). Kentucky provided this matrix to the LEAs.

²⁹ The Federal allocation spreadsheet contains the ARP ESSER fund allocations for all 171 LEAs.

the LEA's finance officer to learn why the error occurred and provide technical assistance on how to correct the issue. If it is determined that an LEA charged an allowable ARP ESSER expenditure to an unallowable cost code, Kentucky requires the LEA to reclassify the expenditure into an allowable code. However, if it is determined that the expenditure was unallowable, the LEA is required to charge the expenditure to a local or State funding source. In both cases, Kentucky requires the LEA to submit a revised summary CDIP report to show that the error was corrected and that all ARP ESSER expenditures were charged to an allowable ARP ESSER cost accounting code. The program specialists document their quarterly review work in a spreadsheet and maintain a record of their review. This process, when used in conjunction with robust reimbursement and ARP ESSER monitoring processes, could help ensure that LEAs use ARP ESSER funds in accordance with applicable requirements and their approved ARP ESSER plan.

ARP ESSER Monitoring Process

Kentucky established a process to monitor selected LEAs' use of ARP ESSER funds, which Kentucky officials told us would begin in June 2023. Because Kentucky's ARP ESSER monitoring of selected LEAs had not started as of the end of our fieldwork, we limited our review to the design of the monitoring process. The OCIS Assistant Director told us that the process that Kentucky used to monitor CRRSAA ESSER funds is the same process Kentucky will use to monitor ARP ESSER funds.³⁰ After the exit conference in May 2023, Kentucky provided us with written policies and procedures for its ARP ESSER monitoring process. We reviewed the policies and procedures and concluded that Kentucky's ARP ESSER monitoring is designed in a way that should enable Kentucky to identify and select high-risk LEAs for review and detect instances of noncompliance during those reviews.

Kentucky has 14 teams composed of 28 program consultants and 4 architects who are responsible for conducting ESSER monitoring. Each team consists of two program consultants and if construction or remodeling projects over \$2,000 are involved, one architect. Towards the end of our fieldwork, Kentucky performed a risk assessment and

³⁰ In February 2021, Kentucky developed a risk-based ESSER monitoring process to monitor selected LEAs' use of CARES Act ESSER funds. Kentucky later updated this process for CRRSAA ESSER and used it to monitor selected LEAs' use of CRRSAA ESSER funds. Kentucky completed its CRRSAA ESSER monitoring in November 2022.

used a risk assessment tool³¹ to help select LEAs for ARP ESSER monitoring. The 14 LEAs with the highest risk scores (excluding those that were subject to CRRSAA ESSER monitoring) were selected for ARP ESSER monitoring.

Kentucky's ARP ESSER monitoring process will consist of a self-assessment, desk review, and site visit for each selected LEA. Selected LEAs are required to submit a completed ARP ESSER funds monitoring self-assessment form, an expenditure report from MUNIS, and other relevant supporting documentation for review (for example, notes from meetings with stakeholders, documents showing that approved evidence-based interventions were implemented, policies and procedures, and progress reports). The self-assessment form has questions seeking information about the LEA's development of its ARP ESSER plan, ARP ESSER programmatic implementation and outcomes, and fiscal management. LEAs are required to submit narratives and evidence for each response to the questions on the form. If an LEA used CRRSAA ESSER or ARP ESSER funds for construction or remodeling projects over \$2,000, it must also submit a separate construction or remodeling projects monitoring form that the Kentucky monitoring teams will use to help determine whether the LEA followed Kentucky's construction approval processes and applicable Federal requirements.

The desk review will generally consist of the monitoring teams reviewing the LEAs' self-assessment responses and supporting documents. Specific expenditures and related supporting documents (such as contracts, receipts, and invoices) may be reviewed during the desk review, depending on the type or amount of the expenditure. The monitoring teams will use a checklist and the self-assessment form to document the desk review. After the desk review, the teams will perform site visits. During site visits, the teams will conduct group interviews with the LEA superintendent, finance officer, ESSER funds contact or Federal programs coordinator, director of facilities, and any other employee or official who the LEA wants to participate in the interview. The monitoring teams will review additional supporting documentation, as needed, and visit schools to observe physical inventory and construction projects. Kentucky will then prepare and provide the LEA with a final report that identifies strengths,

³¹ The ARP ESSER risk assessment tool incorporated the following risk indicators: ARP ESSER allocation amount, high percentage of ESSER funds used for construction, prior issues with Federal grants, timely spending of CRRSAA ESSER and ARP ESSER funds, not subject to consolidated or ESSER monitoring in the last 5 years, and late liquidation request under CARES Act ESSER or unspent CARES Act ESSER balance.

recommendations, and required corrective actions that the LEA must take in response to deficiencies identified during the monitoring.

Review of ARP ESSER Expenditures at Warren County and Jefferson County

We reviewed samples of ARP ESSER expenditures at Warren County and Jefferson County to determine whether they used ARP ESSER funds in accordance with applicable requirements and the approved ARP ESSER plan.³² We identified issues at Warren County.

Warren County

We reviewed 13 ARP ESSER expenditures totaling \$326,740. These generally included expenditures for payroll; arts and music; and technology such as Chromebooks, teacher workstations (virtual learning), and software. We determined that 12 (92 percent) of the 13 expenditures reviewed were allowable. One expenditure (golf cart) was unallowable because it did not meet the overall purpose or intent of the ARP ESSER program. Additionally, we determined that Warren County did not obtain prior written approval from Kentucky for all four (100 percent) expenditures that required prior approval, contrary to 2 C.F.R. section 200.439(b) and Kentucky policy. The golf cart was one of the four expenditures that should have but did not receive prior written approval from Kentucky.

Unallowable Expenditure

Warren County used \$9,200 in ARP ESSER funds to purchase a golf cart that was not reasonable and necessary to meet the overall purpose of the ARP ESSER program. The purpose of the Education Stabilization Fund, which ESSER funds are part of, is to prevent, prepare for, and respond to the coronavirus pandemic (CARES Act, “Education Stabilization Fund” section).³³ Warren County’s Director of ESSER Funds told us that the golf cart would be used to monitor students during outdoor events due to a shortage in staff resulting from the pandemic. While purchasing a golf cart with ARP ESSER funds could be allowable if its intended use met the overall purpose of the ARP ESSER program, Warren County’s justification for the golf cart purchase did not support that it was reasonable or necessary to prevent, prepare for, or respond to the coronavirus pandemic. During our fieldwork, Kentucky also identified the golf cart as an unallowable cost when reviewing Warren County’s spending plan budget as part of its annual review of LEA ARP ESSER plan updates and informed Warren County’s Director of ESSER Funds that the golf cart did not meet the intent of the ARP ESSER program. Warren County

³² The results of our testing apply only to the samples selected and cannot be projected.

³³ The CARES Act, CRRSAA, and ARP provided money for the Education Stabilization Fund.

took corrective action by contacting the school that purchased the golf cart to have it removed as an ARP ESSER expenditure and providing documentation to Kentucky showing that the golf cart had been removed as an ARP ESSER expenditure. We reviewed documentation at Warren County and verified that the funds were reallocated towards the purchase of an allowable expenditure.

Expenditures That Did Not Receive Prior Written Approval

Warren County did not obtain prior written approval from Kentucky for four equipment purchases totaling \$149,882. This is contrary to Kentucky policy and 2 C.F.R. section 200.439(b), which states that equipment and other capital expenditures with a unit cost of \$5,000 or more must have prior written approval of the Federal awarding agency or pass-through entity. Each of the four expenditures had unit costs greater than \$5,000 and thus required prior written approval from Kentucky.

We asked Warren County if it had been requesting prior written approval from Kentucky for equipment and other capital expenditures with a unit cost of \$5,000 or more. In response, Warren County's director of ESSER funds told us that Warren County was not informed about the requirement until December 2022 when Kentucky sent an email on that topic to LEA finance officers. We asked Kentucky when it had informed LEAs about the prior written approval requirement. Kentucky's OCIS associate commissioner told us that Kentucky presented information about the requirement to LEAs at two conferences that took place in June 2021 and November 2021, and during a November 2022 finance officer webcast. The associate commissioner added that during the November 2022 webcast, Kentucky asked LEAs to revise their ARP ESSER spending plan budgets to include single unit purchases of \$5,000 or more, including those that may not have received prior approval and those planned in the future. We reviewed documents, including presentation slides for the conferences and emails between Kentucky and two LEAs regarding the preapproval requirement, that showed that Kentucky communicated the requirement to LEAs during the conferences held in 2021 and that at least two LEAs specifically discussed the requirement with Kentucky. The ARP ESSER Assurances form, signed by LEA superintendents, requires LEAs to comply with all applicable regulations, including those in 2 C.F.R. Part 200 (Uniform Guidance). For those reasons, Warren County should have known that it needed to obtain written approval from Kentucky before purchasing equipment or other capital expenditure items with a unit cost of \$5,000 or more.

Jefferson County

We reviewed 13 ARP ESSER expenditures totaling \$7,411,912. These generally included expenditures related to payroll; repairs and maintenance; facility improvements; service contracts; and technology such as Chromebooks, printers, and smart board displays. We

determined that all 13 expenditures were in accordance with applicable requirements (allowable) and Jefferson County’s approved ARP ESSER plan.

Recommendations

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

- 2.1 Design and document procedures to guide Kentucky personnel through the LEA reimbursement request process. The procedures should be in the form of written policies and procedures or protocols, and designed to ensure compliance with applicable requirements, including those covered in 2 C.F.R. Part 200 (Uniform Guidance) and ARP.
- 2.2 In order to address the heightened risk associated with ARP ESSER funds, design and incorporate into its documented procedures for reviewing LEA reimbursement requests protocols to sample LEA expenditures charged to ARP ESSER and review supporting documentation to ensure that applicable Federal, State, and local requirements are met.
- 2.3 Implement its ARP ESSER monitoring policies and procedures, as designed, to provide additional assurance that LEAs use ARP ESSER funds in accordance with applicable requirements and their approved ARP ESSER plans.

Kentucky Comments

Kentucky neither agreed nor disagreed with the finding and with recommendation 2.2. However, Kentucky described the actions it plans to take for recommendation 2.2, stating that it will work with the Department to enhance its ARP ESSER reimbursement request review process by determining an appropriate increased level of review and adding steps to the reimbursement request review process. Kentucky agreed with recommendation 2.1, stating that it has designed and documented procedures for the Federal Cash Request process and posted the approved procedures on its SharePoint site (accessible to staff) and its publicly accessible webpage. Kentucky requested that recommendation 2.1 be removed or amended to reflect the actions it has already taken to address the recommendation. Kentucky disagreed with the phrasing of recommendation 2.3, stating that it has already begun implementing its ARP ESSER monitoring processes. Kentucky noted that it began preparing for the ARP ESSER monitoring cycle in spring 2023, its monitoring formally started in June 2023, and its first monitoring site visits will occur in September 2023. Kentucky proposed alternative phrasing for recommendation 2.3 to clarify that its monitoring work is underway.

OIG Response

Kentucky's development of written policies and procedures for the LEA ARP ESSER reimbursement request review process is partially responsive to recommendation 2.1. Developing written policies and procedures is responsive to the recommendation; however, the policies and procedures did not include steps for Kentucky personnel to sample LEA expenditures charged to the ARP ESSER grant and review supporting documentation to ensure that applicable Federal, State, and local requirements are met, as discussed in recommendation 2.2. To fully address the recommendation and heightened risk associated with ARP ESSER funds, Kentucky should incorporate into its written policies and procedures steps to sample LEA ARP ESSER expenditures and review supporting documentation.

Kentucky's plan to work with the Department to enhance its ARP ESSER reimbursement request review process by determining an appropriate increased level of review and adding steps to the reimbursement request review process is a good first step and partially responsive to recommendation 2.2. If sampling LEA ARP ESSER expenditures and reviewing supporting documentation become part of Kentucky's increased level of review, Kentucky's proposed actions are responsive to our recommendation.

We disagree with Kentucky's implication that the phrasing of recommendation 2.3 does not adequately acknowledge that some activities were already underway because we include in the report much of what Kentucky provided in its response. For example, in Finding 2, we note that Kentucky planned to start its ARP ESSER monitoring in June 2023 and that towards the end of our fieldwork, Kentucky had performed a risk assessment to select LEAs for ARP ESSER monitoring. We did not make any changes to the report or recommendations in response to Kentucky's comments. We did make clarifying edits to recommendation 2.2 in response to technical comments provided by the Department.

Appendix A. Scope and Methodology

Our audit covered Kentucky's processes for reviewing and approving LEA ARP ESSER plans and overseeing LEAs' use of ARP ESSER funds from March 24, 2021, through July 31, 2022. To achieve our objective, we gained an understanding of the following laws, regulations, and guidance relevant to ARP ESSER:

- CARES Act (P.L. 116-136, March 27, 2020), section 18003 ("Elementary and Secondary School Emergency Relief Fund").
- CRRSAA (P.L. 116-260, December 27, 2020), section 313 ("Elementary and Secondary School Emergency Relief Fund").
- ARP (P.L. 117-2, March 11, 2021), sections 2001 ("Elementary and Secondary School Emergency Relief Fund") and 2004 ("Maintenance of Effort and Maintenance of Equity").
- 2 C.F.R. Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
- Office of Management and Budget's 2 C.F.R. Part 200, Appendix XI, Compliance Supplement, April 2022.
- GAO's "Standards for Internal Control in the Federal Government" (September 2014).
- IFR for ARP ESSER (April 22, 2021), 86 FR 21195–21207; and Final Requirements for ARP ESSER Fund (June 8, 2022), 87 FR 34790–34794.
- Department guidance, including the Department's Secretary of Education letter (March 24, 2021) announcing SEA grant allocations; Certification and Agreement for Funding under the Education Stabilization Fund Program ESSER Fund; Fact Sheet ARP Act of 2021 ESSER Fund; Frequently Asked Questions documents for ARP ESSER Program Maintenance of Equity Requirements (updated July 26, 2022) and ESSER and Governor's Emergency Education Relief Programs (May 2021, and updated on December 29, 2021, and December 7, 2022); and ED COVID-19 Handbook, Roadmap to Reopening Safely and Meeting All Students' Needs, Volume 2 (2021).

We gained an understanding of Kentucky's oversight and monitoring activities through interviews with SEA and LEA officials. We interviewed employees and officials from Kentucky, Warren County, and Jefferson County who had knowledge of or were responsible for establishing, administering, or monitoring the ARP ESSER program. At Kentucky, we interviewed officials who were responsible for providing guidance and technical assistance to LEAs, reviewing and approving LEA ARP ESSER plans and budgets,

and monitoring LEAs' use of ARP ESSER funds. To assess the reliability of the testimonial evidence, we compared information obtained from interviews with records related to Kentucky's oversight and monitoring activities when provided by the interviewees. We concluded that the testimonial evidence we obtained was sufficiently reliable within the context of our audit objective.

We also gained an understanding of Kentucky's oversight and monitoring activities through reviews of relevant documents and records. We reviewed documents identifying Kentucky's offices and staff who had a role in establishing, administering, or monitoring the ARP ESSER program. We reviewed and evaluated the guidance, technical assistance, and training (such as newsletters, webcasts, training slides, and instructions) that Kentucky provided to LEAs regarding ARP ESSER plans and spending. We also reviewed written policies and procedures, narratives, and protocols to further our understanding of how Kentucky monitored or planned to monitor LEAs' use of ARP ESSER funds, including through its MOEquity determinations and quarterly review, reimbursement, and ARP ESSER monitoring processes. Additionally, we reviewed and evaluated the tools that Kentucky used to monitor LEA ARP ESSER plans and LEAs' use of ARP ESSER funds, including reviewer checklists, guides, standardized forms and templates, and risk assessment framework. The purposes of these document reviews were to gain an understanding of how Kentucky administered and monitored ARP ESSER funds and assess the adequacy of those activities within the context of the audit objective. We also gained an understanding of Warren County's and Jefferson County's processes for reviewing and approving ARP ESSER expenditures (including their procurement, approval, and payment processes), which was generally done to help us identify the cause for any deficiencies identified during our review of expenditures at the two LEAs.

Review of Kentucky's Oversight of LEA ARP ESSER Plans. We reviewed the summary results from Kentucky's review of LEA ARP ESSER plan narratives to verify that Kentucky approved the plan narratives for all 171 LEAs, assess the rigor of Kentucky's process for reviewing and approving LEA APR ESSER plans, and gain an understanding of how often and why plan reviewers did not approve plans. We also reviewed the ARP ESSER plans for Warren County and Jefferson County to determine whether they met applicable requirements (specifically, the requirements set forth in the IFR for ARP ESSER, April 22, 2021), and verify that Kentucky was consistent in how it reviewed and approved the two plans and followed all applicable steps in its review and approval process. We also accessed each LEA's website to ensure that its ARP ESSER plan was publicly available.

Review of Kentucky's Oversight of LEAs' Use of ARP ESSER Funds. We reviewed samples of ARP ESSER expenditures at Warren County and Jefferson County to

determine whether they used ARP ESSER funds in accordance with applicable requirements. Specifically, we reviewed each expenditure to determine whether it was (a) connected to the pandemic, (b) authorized under applicable regulations, and (c) reasonable and necessary in accordance with Uniform Guidance. We also reviewed each expenditure to determine whether it aligned with the LEAs' approved ARP ESSER plans. Lastly, we reviewed the LEAs' procurement, review, and approval activities for each expenditure to verify that the LEAs followed their established processes in these areas. See the [Sampling Methodology](#) section for additional information.

Sampling Methodology

To determine whether Kentucky had an adequate oversight process to ensure that LEAs used ARP ESSER funds in accordance with applicable requirements and their approved ARP ESSER plans, we selected 2 LEAs from the universe of 171 LEAs that were allocated ARP ESSER funds and tested a total of 26 expenditures for the 2 LEAs (13 expenditures for each LEA). We judgmentally selected for review the LEA with the largest ARP ESSER funding allocation (Jefferson County). For the second LEA, we limited the universe of LEAs eligible for selection to those LEAs that were allocated \$5,000,000 or more in ARP ESSER funds and had expended 25 percent or more of their ARP ESSER funding as of July 31, 2022. We then randomly selected an LEA (Warren County) from the limited universe of 37 LEAs (excluding Jefferson County).

For Warren County, we selected (using both judgmental and random sampling) a nonstatistical sample of 13 ARP ESSER expenditures (3 percent) from a total population of 517 ARP ESSER expenditures as of July 31, 2022. The 13 expenditures represented \$326,740 (2 percent) of the \$16,168,708 in total ARP ESSER expenditures. To select our sample, we first divided the expenditures into two strata: one for learning loss (totaling \$2,847,148) and one for all other expenditures (totaling \$13,321,560). Next, we removed from each stratum indirect costs and any expenditures that were less than \$5,000. After removing these items, the learning loss population and other expenditures population totaled \$1,213,537 and \$8,630,520, respectively. We then selected samples as follows:

- From the learning loss population, we randomly selected 3 expenditures, totaling \$30,487.
- From the other expenditures population, we selected 10 expenditures, totaling \$296,253. First, we judgmentally selected 3 expenditures, totaling \$199,479. We selected the two largest (non-payroll) expenditures and one expenditure whose description did not appear to meet the grant's purpose. Next, from the remaining population we randomly selected 7 expenditures, totaling \$96,774.

For Jefferson County, we selected (using both judgmental and random sampling) a nonstatistical sample of 13 ARP ESSER expenditures (1 percent) from a total population of 1,455 ARP ESSER expenditures as of July 31, 2022. The 13 expenditures represented \$7,411,912 (4 percent) of the \$200,280,889 in total ARP ESSER expenditures. To select our sample, we first divided the expenditures into two strata: one for learning loss (totaling \$164,982,363) and one for all other expenditures (totaling \$35,298,526). Next, we removed from each stratum indirect costs and any expenditures that were less than \$5,000. After removing these items, the learning loss population and other expenditures population totaled \$126,120,677 and \$32,720,668, respectively. We then selected samples as follows:

- From the learning loss population, we randomly selected three expenditures, totaling \$35,823.
- From the other expenditures population, we selected 10 expenditures, totaling \$7,376,089. First, we judgmentally selected three expenditures, totaling \$7,089,173. We selected the largest (non-payroll) expenditure, the largest construction expenditure, and one expenditure whose description did not appear to meet the grant's purpose. Next, from the remaining population we randomly selected seven expenditures, totaling \$286,916.

The results of our testing apply only to the samples selected and cannot be projected.

Use of Computer-Processed Data

We relied, in part, on computer-processed data (spreadsheets) provided by Kentucky to help us select the two LEAs for review. Kentucky provided spreadsheets listing LEA ARP ESSER allocations and total ARP ESSER expenditures through July 31, 2022. To assess the reliability of the spreadsheet with LEA ARP ESSER allocations, we compared the allocations in the spreadsheet to the award amounts in the ARP ESSER Grant Award Notifications for three LEAs. We also reviewed the spreadsheet for completeness by comparing the names and count of LEAs (171) on the allocation spreadsheet to the names and count of LEAs on Kentucky's County and Independent School Districts LEA map.³⁴ To assess the reliability of the spreadsheet with LEA ARP ESSER expenditures, we compared total expenditures on the spreadsheet to total expenditures on the FCR forms for four LEAs. We also reviewed the spreadsheet for completeness by verifying that it included expenditures as of July 31, 2022, for all 171 LEAs. Based on these assessments, we concluded that the data in the allocation and expenditure spreadsheets were reliable for their intended use.

³⁴ Source: Kentucky's website (<https://education.ky.gov/comm/schdist/Documents/KDEMAP.pdf>).

We also relied, in part, on computer-processed data that we obtained from MUNIS for Warren County and Jefferson County. From MUNIS, we obtained the universes of ARP ESSER expenditures as of July 31, 2022, for Warren County and Jefferson County. We used the universes to select samples of expenditures for detailed testing to determine whether the two LEAs used their ARP ESSER funds in accordance with applicable requirements and their approved ARP ESSER plan. To assess the completeness of the data in MUNIS for both LEAs, we compared the total expenditures in MUNIS to the total expenditures reported on the LEAs' July 31, 2022, FCR form. To assess the reliability of the data in MUNIS for both LEAs, we reviewed supporting documentation, such as invoices and payroll records, for our sample of 26 expenditures (13 expenditures for each LEA). Based on this work, we concluded that the data in MUNIS were reliable for their intended use.

Internal Controls

We obtained an understanding of all five areas of internal control (control environment, risk assessment, control activities, information and communication, and monitoring) as they relate to Kentucky's processes for ensuring that LEA ARP ESSER plans meet applicable requirements and LEAs use ARP ESSER funds in accordance with applicable requirements and their approved LEA ARP ESSER plans. At the SEA level, we limited our internal control work to the two areas we deemed significant to the audit objective: risk assessment and control activities.

- Risk assessment—risk identification, analysis of risk, responses to risk, including consideration of the potential for fraud.
- Control activities—design of appropriate types of control activities, design of control activities at various levels, documentation of responsibilities through policies, and periodic review of control activities.

At the LEA level, we limited our internal control work to gaining an understanding of the LEAs' processes (controls) within the context of the individual expenditures selected for testing which would help us determine the underlying cause for any identified deficiencies.

As discussed in the findings, we concluded that Kentucky's process (control activities) for ensuring that LEA ARP ESSER plans met applicable requirements was adequate ([Finding 1](#)) and its process for reviewing and approving LEA ARP ESSER reimbursement requests should be documented and strengthened in a key area ([Finding 2](#)).

Compliance with Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the

audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We remotely conducted our audit from August 2022 through June 2023. We discussed the results of our audit with Kentucky officials on May 18, 2023.

Appendix B. Allowable Uses of ESSER Funds

Activities that an LEA may support with ESSER funds include:³⁵

1. Any activity authorized by the ESEA, including the Native Hawaiian Education Act and the Alaska Native Educational Equity, Support, and Assistance Act (20 U.S.C. 6301 et seq.).
2. Any activity authorized by the Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.).
3. Any activity authorized by the Adult Education and Family Literacy Act (AEFLA) (29 U.S.C. 3271 et seq.).
4. Any activity authorized by the Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2301 et seq.).
5. Any activity authorized by subtitle B of title VII of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11431 et seq.).
6. Coordinating preparedness and response efforts of LEAs with State, local, Tribal, and territorial public health departments, and other relevant agencies, to improve coordinated responses among such entities to prevent, prepare for, and respond to COVID-19.
7. Providing principals and other school leaders with the resources necessary to address the needs of their individual schools.
8. Activities to address the unique needs of low-income children or students, students with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and children and youth in foster care, including how outreach and service delivery will meet the needs of each population.
9. Developing and implementing procedures and systems to improve the preparedness and response efforts of LEAs.
10. Training and professional development for staff of the LEA on sanitation and minimizing the spread of infectious diseases.
11. Purchasing supplies to sanitize and clean the facilities of the LEA, including buildings operated by such LEA.
12. Planning for, coordinating, and implementing activities during long-term closures, including providing meals to eligible students, providing technology for online learning to all students, providing guidance for carrying out requirements under the

³⁵ Per section 18003(d) of the CARES Act, section 313(d) of CRRSAA, and section 2001(e) of ARP.

Individuals with Disabilities Education Act and ensuring other education services can continue to be provided consistent with all Federal, State, and local requirements.

13. Purchasing educational technology (including hardware, software, and connectivity) for students who are served by the LEA that aids in regular and substantive educational interaction between students and their classroom instructors, including low-income students and students with disabilities, which may include assistive technology or adaptive equipment.
14. Providing mental health services and supports, including through the implementation of evidence-based full-service community schools.
15. Planning and implementing activities related to summer learning and enrichment and supplemental after-school programs, including providing classroom instruction or online learning during the summer months and addressing the needs of low-income students, students with disabilities, English learners, migrant students, students experiencing homelessness, and children and youth in foster care.
16. Addressing the academic impact of lost instructional time among an LEA's students, including low-income students, students with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and children and youth in foster care, including by
 - a. administering and using high-quality assessments that are valid and reliable to accurately assess students' academic progress and assist educators in meeting students' academic needs, including through differentiating instruction.
 - b. implementing evidence-based activities to meet the comprehensive needs of students.
 - c. providing information and assistance to parents and families on how they can effectively support students, including in a distance learning environment.
 - d. tracking student attendance and improving student engagement in distance education.
17. School facility repairs and improvements to enable operation of schools to reduce risk of virus transmission and exposure to environmental health hazards, and to support student health needs.
18. Inspection, testing, maintenance, repair, replacement, and upgrade projects to improve the indoor air quality in school facilities, including mechanical and non-mechanical heating, ventilation, and air conditioning systems, filtering, purification and other air cleaning, fans, control systems, and window and door repair and replacement.

19. Developing strategies and implementing public health protocols including, to the greatest extent practicable, policies in line with guidance from the CDC for the reopening and operation of school facilities to effectively maintain the health and safety of students, educators, and other staff.
20. Other activities that are necessary to maintain the operation of and continuity of services in the LEA and continuing to employ existing staff of the LEA.

Appendix C. Acronyms and Abbreviations

ARP	American Rescue Plan
C.F.R.	Code of Federal Regulations
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CDC	Centers for Disease Control and Prevention
CDIP	Comprehensive District Improvement Plan
CRRSAA	Coronavirus Response and Relief Supplemental Appropriations Act
Department	U.S. Department of Education
eMARS	Enhanced Management Administrative and Reporting System
ESEA	Elementary and Secondary Education Act
ESSER	Elementary and Secondary School Emergency Relief
FCR	Federal Cash Request
FY	fiscal year
GAO	Government Accountability Office
GMAP	Grant Management Application and Planning
IFR	interim final requirements
Jefferson County	Jefferson County Public Schools
Kentucky	Kentucky Department of Education
LEA	local educational agency
MOEquity	Maintenance of Equity
MUNIS	Municipal Users Network Information System
OCIS	Office of Continuous Improvement and Support
OFO	Office of Finance and Operations
SEA	State educational agency
Warren County	Warren County Public Schools

Kentucky Comments

Andy Beshear
Governor



Jamie Link
Secretary, Education and
Workforce Development Cabinet

Jason E. Glass, Ed.D.
Commissioner of Education and Chief Learner

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August 31, 2023

Ben C. Sanders
Regional Inspector General of Audit
United States Department of Education
Office of the Inspector General
400 Maryland Avenue, S.W.,
Washington, DC 20202-1510

RE: Comments to Draft Report ED OIG/A22CA0095

Dear Mr. Sanders,

This letter is in response to the draft audit report, "Kentucky's Oversight of Local Educational Agency ARP ESSER Plans and Spending" dated August 16, 2023. The Kentucky Department of Education (KDE) has carefully reviewed the draft report and has prepared responses for each of the three recommendations listed in section two of the report (section one of the report did not include recommendations). The KDE appreciates the opportunity to review the draft report and provide these comments.

Draft Recommendation 2.1: Design and document procedures to guide Kentucky personnel through the LEA reimbursement request process. The procedures should be in the form of written policies and procedures or protocols, and designed to ensure compliance with applicable requirements, including those covered in 2 C.F.R. Part 200 (Uniform Guidance) and ARP.

The KDE agrees with the recommendation to design and document procedures to guide Kentucky personnel through the LEA reimbursement request process. In fact, the KDE has already designed and tested these procedures after a self-review conducted as part of a KDE Internal Control Risk Assessment identified a similar need.

The KDE has designed and documented procedures for the Federal Cash Reimbursement Request process and the Comprehensive District Improvement Plan (CDIP) Expenditure Report review (links below). The procedures were created by the KDE, Division of Budget and Financial Management (DBFM) staff and were tested within the DBFM to identify strengths and weaknesses within the procedure.

KDE staff will access the approved procedures on the Office of Finance and Operations SharePoint site, under the Division of Budget and Financial Management, DBFM Procedures Development. Approved procedures are also posted on the publicly accessible KDE webpage

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where LEA staff access information about federal grant allocations, funding matrices, and updates.

[Federal Cash Request Procedural Instructions 2023](#)

[CDIP Expenditure Report Review Process](#)

The KDE requests that Draft Recommendation 2.1 be removed or amended to reflect these documents.

Draft Recommendation 2.2: In order to address the heightened risk associated with ARP ESSER funds, design and incorporate into its documented procedures for reviewing LEA reimbursement requests, steps for Kentucky personnel to (a) obtain and review a listing of ARP ESSER expenditures for which the LEA is seeking reimbursement, and (b) review, on at least a sample basis, supporting documentation for LEA expenditures charged to the ARP ESSER grant. Kentucky should use a risk-based approach when selecting LEA expenditures for review.

The KDE takes seriously its responsibility as the SEA to create a reasonable internal control system for the review of LEA reimbursement requests. As such, the KDE has a strong, integrated system of controls that spans the ARP ESSER grants management process. The controls begin at the earliest phases including grant application and assurances of certifications. The controls continue through grant execution, reimbursement, reporting, monitoring, close out and LEA independent audit.

The ARP ESSER audit report outlines and acknowledges the controls in place. Considering US DOE's determination that ARP ESSER funds are high-risk, the KDE will work with US DOE officials to enhance ARP ESSER district reimbursement requests review at the most effective point in the process cycle. Upon determination of an appropriate increased level of review, the KDE will add this into existing processes and communicate this to LEAs in an expedited fashion. The additional step(s) in the review process will be implemented going forward through the end of the ARP ESSER grant term.

Draft Recommendation 2.3: Implement its ARP ESSER monitoring policies and procedures, as designed, to provide additional assurance that LEAs use ARP ESSER funds in accordance with applicable requirements and their approved ARP ESSER plans.

The KDE disagrees with the phrasing of this recommendation as it has already begun to implement its ARP ESSER monitoring policies and procedures. The monitoring process formally began on June 19, 2023 when the fourteen selected districts received the initial monitoring notification. Selected districts were required to submit evidence to the KDE by August 18, 2023 and in-person visits have already been scheduled for September and November. The first visits are scheduled to begin the week of September 18, 2023.

In addition to these public facing actions, the KDE has been actively preparing for this monitoring cycle throughout the spring semester. The KDE submitted evidence of this preparation to the review team on May 23, 2023. In this email, the KDE expressed that the development of the monitoring was underway and was scheduled to begin in June.

While the KDE would like to see this recommendation removed from the report, as it is superfluous, it would suggest the following alternative phrasing to clarify to the public that this work is already underway:

“Continue to implement its ARP ESSER monitoring policies and procedures, as designed, to provide additional assurance that LEAs use ARP ESSER funds in accordance with applicable requirements and their approved ARP ESSER plans.”

Thank you for your time and attention to this matter.

Sincerely,



Kelly Foster, Ed.D.
Associate Commissioner
Office of Continuous Improvement and Support