



U.S. Department of Education
Office of Inspector General

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

September 20, 2023
ED-OIG/A22US0094

ED OIG Oversight of Coronavirus Response Funds



NOTICE

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

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



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services

September 20, 2023

Mr. Chris Reykdal
State Superintendent
Washington Office of Superintendent of Public Instruction
Old Capitol Building
600 Washington Street, S.E.
Olympia, WA 98504

Dear Mr. Reykdal:

Enclosed is our final report, "Washington's Oversight of Local Educational Agency ARP ESSER Plans and Spending," Control Number ED-OIG/A22US0094. 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 (202) 262-1046 or Daniel.P.Schultz@ed.gov.

Sincerely,
Daniel Schultz /s/
Director of Pandemic Relief Audits

Enclosure

Table of Contents

Results in Brief	5
Introduction	8
Finding 1. Washington’s LEA ARP ESSER Plan Review and Approval Process Did Not Ensure that Plans Met All Applicable Requirements	15
Finding 2. Washington’s Monitoring of LEAs’ Use of ARP ESSER Funds Could Be Strengthened	22
Appendix A. Scope and Methodology.....	29
Appendix B. Allowable Use of Funds	33
Appendix C. Acronyms and Abbreviations.....	36
Washington’s Comments.....	37

Results in Brief

What We Did

The objectives of the audit were to determine whether the Washington Office of Superintendent of Public Instruction (Washington) 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 audit covered March 24, 2021, through October 31, 2022.

For the first objective, we gained an understanding of Washington's process for reviewing and approving LEAs' ARP ESSER plans, which consisted of both their Academic and Student Well-Being Recovery Plan (Academic Plan) and their grant application. To perform this work, we (1) reviewed the guidance and technical assistance that Washington provided to LEAs on developing and submitting their ARP ESSER plans, (2) reviewed Washington's processes for reviewing and approving LEAs' ARP ESSER plans, (3) determined if Washington allocated funds and paid any ARP ESSER reimbursement claims to LEAs without approved plans, and (4) reviewed the completeness of ARP ESSER plans of two LEAs, Granger School District (Granger) and Seattle Public Schools (Seattle).

For the second objective, we gained an understanding of Washington's oversight of LEAs' use of ARP ESSER funds. To perform this work, we (1) reviewed the guidance and technical assistance that Washington provided to LEAs on allowable uses of funds, (2) reviewed Washington's processes for monitoring LEAs' uses of funds and annual Consolidated Program Review (CPR) of selected LEAs, (3) tested the allowability of a sample of 26 ARP ESSER expenditures at 2 LEAs, and (4) reviewed LEAs' adherence to applicable procurement requirements for the sample of 26 expenditures at 2 LEAs.

What We Found

Washington did not have an adequate review and approval process to ensure that LEA ARP ESSER plans met all applicable requirements. As a result, the public did not have sufficient insight into how the LEAs planned to spend ARP ESSER funds. Washington was required to ensure that LEAs submitted ARP ESSER plans that were complete and timely; however, we found that Washington did not ensure LEAs' compliance with all Federal requirements and guidance for creating transparent and understandable plans. During the audit, Washington was responsive to the issues we identified and initiated corrective action to ensure that Federal requirements and guidance were met.

Washington could also strengthen its monitoring of LEAs to provide additional assurance that LEAs used ARP ESSER funds for allowable purposes and followed applicable regulations. 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 identified as such in 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. Washington used its iGrants system to approve LEA ARP ESSER grant applications and reimburse LEAs for ARP ESSER expenditures; however, the reimbursement process did not include collecting or reviewing any expenditure-supporting documentation, even on a sample basis. Washington relied on its CPR process to review selected LEA expenditures for compliance with Federal education program requirements; however, Washington did not modify its CPR process to take into consideration the higher risk associated with ARP ESSER expenditures to ensure selection of APR ESSER expenditures. We identified issues related to procurement for just 1 of the 26 expenditures that we reviewed at 2 LEAs, but Washington nevertheless may not have sufficient assurance that ARP ESSER expenditures were allowable given the issues noted with its reimbursement and CPR process.

What We Recommend

We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education ensure that Washington has taken appropriate corrective actions for LEAs with approved ARP ESSER plans so that these plans meet all applicable requirements. We also recommend that Washington be required to fully document its review and approval of ARP ESSER plans for LEAs that have not yet submitted their plans, once they have been submitted, to ensure that they comply with all program requirements.

Additionally, we recommend that the Assistant Secretary for the Office of Elementary and Secondary Education require Washington to develop and implement, for both the reimbursement and monitoring processes, protocols to sample LEA expenditures charged to ARP ESSER, and to review supporting documentation, including procurement process documentation, to ensure that applicable Federal, State, and local requirements are met.

Washington's Comments and Our Response

We provided a draft of this report to Washington for comment. Washington neither agreed nor disagreed with the findings but agreed with the recommendations. Washington described actions it has taken or plans to take in response to

recommendation 1.1 and recommendation 2.1. Washington’s comments were not fully responsive to recommendation 1.2. Specifically, Washington’s comments did not address LEAs’ timely submission of their ARP ESSER plans and its documentation of the review and approval of these plans. Washington’s described actions for recommendation 1.1 and recommendation 2.1 are responsive if implemented as described. Washington also requested updates to the report related to the number of State-Tribal education compact schools and its monitoring of educational service districts, as well as other revisions to provide more contextual information. In addition, the Department provided technical comments. We revised the report with the updated information provided by Washington and made clarifying edits in response to the Department’s comments. The full text of Washington comments is included as an appendix (see [Washington’s Comments](#)).

Introduction

Background

On March 13, 2020, the President declared a national emergency due to the coronavirus pandemic. In response, Congress passed three coronavirus pandemic relief acts within a 1-year period that provided about \$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 (ESSER) funds.

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

ARP ESSER Funds

On March 24, 2021, the U.S. Department of Education (Department) awarded about \$81 billion of ARP ESSER funds to SEAs, approximately two-thirds of each SEA's total allocation. To receive its remaining funds, each SEA was required to submit a plan to the Office of Elementary and Secondary Education (OESE) for approval that explained how the SEA would use ARP ESSER funds to safely reopen schools; support sustained access to in-person instruction; and to 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 Washington SEA plan was submitted in June 2021 and was approved by the Department in November 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. Section 2001(f) of the ARP required the SEA to set aside funds for certain activities and interventions that respond to students' academic, social, and emotional needs and to address the disproportionate impact of the coronavirus pandemic on student subgroups, with Department guidance emphasizing that SEAs should focus their efforts on underserved student subgroups in particular. Specifically, from the State's 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 may 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

ARP section 2001(d)(1) required the SEA to allocate not less than 90 percent of its total ARP ESSER allocation to LEAs in the State (including charter schools that are LEAs) 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 coronavirus 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 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, not 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 funds, effective April 22, 2021, require each LEA receiving ARP ESSER funds to develop and submit to the SEA a plan for

its use of ARP ESSER funds (86 Federal Register (FR) 21198-99).¹ The LEA must submit the plan in accordance with procedures and by the deadline established by the SEA² and make the plan publicly available on the LEA's website. At a minimum, the LEA ARP ESSER plan must describe

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, consistent with the most recent Center for Disease Control and Prevention (CDC) guidance on reopening schools, in order to continuously and safely open and operate schools for in-person learning;
2. how the LEA will use the funds it reserves under section 2001(e)(1) of the 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;
3. how the LEA will spend its remaining ARP ESSER funds consistent with section 2001(e)(2) of the ARP; and
4. how the LEA will ensure that the interventions it implements, including but not limited to the interventions implemented under section 2001(e)(1) of the ARP to address the academic impact of lost instructional time, will respond to the academic, social, emotional, and mental health needs of all students, particularly those students that are disproportionately 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.

In developing its plan, an LEA was required to engage in meaningful consultation with stakeholders including students; families; school and district administrators (including special education administrators); and teachers, principals, school leaders, other educators, school staff, and their unions. The LEA was also required to engage in meaningful consultation with each of the following to the extent present in or served by the LEA: Tribes; civil rights organizations (including disability rights organizations); and

¹ Under the ARP, and as reiterated in the IFR, each LEA was required to submit a Safe Return to In-Person Instruction and Continuity of Services Plan. Under the IFR, each LEA was also required to submit a plan for its use of ARP ESSER funds. For this audit, we limited our review to LEAs' use of funds plans.

² 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, per 86 FR 21199.

stakeholders 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, the LEA had to provide the public the opportunity to provide input on the development of the plan and take such input into account. The IFR also mandates that LEA ARP ESSER plans be accessible on the LEA websites, including to parents with limited English proficiency and individuals with a disability. This requirement is intended to help ensure that all parents can access and understand the information in an LEA's ARP ESSER plan, consistent with the Department's interpretation of Title VI of the Civil Rights Act of 1964 and existing obligations to parents with disabilities under the Americans with Disabilities Act.

Local Educational Agencies' Use of ARP ESSER Funds

Section 2001(e)(1) of the ARP requires LEAs to reserve at least 20 percent of their ARP ESSER funds to address the academic impact of lost instructional time, also known as 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 these interventions respond to students' academic, social, and emotional needs and address the disproportionate impact of the coronavirus pandemic on underrepresented student subgroups.

LEAs may use the remaining 80 percent of their ARP ESSER funds for a broad range of activities, including any activities allowed under the ESEA, the 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, LEAs may use ARP ESSER funds to

- implement COVID-19 prevention strategies to safely reopen schools and 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 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;
- provide students with evidence-based summer learning and enrichment programs, including through partnerships with community-based organizations;
- connect K–12 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 the ARP includes new fiscal equity requirements that are a condition for SEAs and LEAs receiving ARP ESSER funds, called maintenance of equity (MOEquity). 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

1. an SEA does not disproportionately reduce per-pupil State funding to high-need LEAs,
2. an SEA does not reduce per-pupil State funding to the highest-poverty LEAs below their FY 2019 level,
3. an LEA does not disproportionately reduce State and local per-pupil funding in high-poverty schools,³ and
4. an LEA does not disproportionately reduce the number of full-time-equivalent staff per-pupil in high-poverty schools.

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

- has a total enrollment of less than 1,000 students;
- operates a single school;
- serves all students within each grade span with a single school; or
- 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.

³ According to the ARP, a high-poverty school is, with respect to a school served by an LEA, a school that is in the highest quartile of schools served by the LEA based on the percentage of economically disadvantaged students in the school.

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.

According to the final requirements for the ARP ESSER Fund, effective July 8, 2022, each State must publish the names of the LEAs that are excepted under each exception category (87 FR 34790). 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.

Washington Office of Superintendent of Public Instruction

The Washington Office of Superintendent of Public Instruction (Washington) is charged with overseeing public K–12 education in the State. Washington has 295 school districts, 7 State-Tribal education compact schools, and 12 additional jurisdictions, including educational service districts. Washington’s total ARP ESSER allocation is \$1.85 billion. As of October 31, 2022, the end of our audit period, Washington had drawn down \$592 million (32 percent) of its total ARP ESSER allocation. As a part of this audit, we selected two Washington LEAs for review, Granger School District (Granger) and Seattle Public Schools (Seattle).

Granger School District

Granger was allocated approximately \$6.4 million in ARP ESSER funds. In its approved ARP ESSER plan, Granger stated that it planned to use its 20 percent learning loss reserve (\$1.3 million) for extended summer school services and tutoring; and the remainder of its funds for school facility repairs and improvements, improving indoor air quality, educational technology, student assessments and other tools to address learning loss, training and supplies to minimize the spread of infectious disease, and purchases to allow all students equal access to education. Granger officials stated that the school district consists of three schools: an elementary, middle, and high school. The total district population is about 1,500 students.

Seattle Public Schools

Seattle was allocated approximately \$93 million in ARP ESSER funds. In its approved ARP ESSER plan, Seattle stated that it planned to use its 20 percent learning loss reserve (\$19 million) for special education and a virtual learning academy; and the remainder of its funds for transportation, school facility repairs and improvements, special education, mental health, and activities to address learning loss. The school district consists of 104 schools from preschool to 12th grade. The total district population is about 50,050 students.

Finding 1. Washington’s LEA ARP ESSER Plan Review and Approval Process Did Not Ensure that Plans Met All Applicable Requirements

Washington did not have an adequate review and approval process to ensure that LEA ARP ESSER plans timely met all applicable requirements. Washington’s oversight activities included providing guidance and technical assistance to LEAs on the development of ARP ESSER plans and performing reviews of LEA ARP ESSER plans using standardized checklists as part of its approval process. Washington was required to ensure that LEAs submitted ARP ESSER plans that were complete and timely; however, we found that Washington did not ensure LEAs’ compliance with all Federal requirements and guidance for creating transparent and understandable plans within a reasonable time, with the Department noting in its IFR and State plan template that this should occur no later than 90 days after an LEA receives its ARP ESSER allocation. This occurred because Washington officials prioritized implementing State Legislative requirements, issued shortly before Federal requirements, when developing its guidance for LEAs and its processes for reviewing and approving LEA ARP ESSER plans. As a result, the public did not have sufficient insight into how the LEAs planned to spend ARP ESSER funds. Specifically, 20 LEAs did not submit ARP ESSER plans timely and 2 LEAs were reimbursed for ARP ESSER expenditures without a complete ARP ESSER plan. During the audit, Washington was responsive to the issues we identified and initiated corrective action to ensure that Federal requirements were met.

Guidance and Technical Assistance Provided to LEAs

Washington provided guidance and technical assistance to its LEAs on authorized uses of Federal coronavirus pandemic funding and how to develop and submit their LEA ARP ESSER plans through planning guides, emails, webinars, website postings, and phone calls. On April 19, 2021, Washington released a planning guide to LEAs in response to the passage of a Washington State law⁴ (on February 1, 2021) and ARP (on March 11, 2021). The planning guide was issued 3 days before the Department published its IFR for LEA ARP ESSER plans. The IFR required LEAs to describe in their LEA ARP ESSER plans the extent to which and how ARP ESSER funds would be used for authorized activities and post them publicly. The planning guide did not direct LEAs to describe the extent to which and how ARP ESSER funds, specifically, would be used for authorized activities

⁴ Washington State Legislature House Bill 1368 required LEAs to submit an Academic and Student Well-Being Plan to the superintendent of public instruction to address student needs that were anticipated due to school closures and extended time in remote learning mode due to the coronavirus pandemic.

since that was not required by State law. Instead, the guide directed LEAs to complete a survey template that asked questions about addressing student needs, called the Academic and Student Well-being Recovery Plan (Academic Plan). LEAs were required to submit their Academic Plan to Washington by June 1, 2021, after receiving approval from their school boards and posting the Academic Plan on their websites. The planning guide referred to a three-phase approach that included LEAs reviewing and updating their plans in the last two phases. However, Washington officials told us that if LEAs did update their plans, Washington was not involved in reviewing and approving any updates.

Washington followed its existing grants administration process and next instructed LEAs to prepare separate grant applications for both the 20 percent ARP ESSER learning loss reserve and the remaining 80 percent of their ARP ESSER funds. The applications were made available to LEAs on June 15, 2021, and July 1, 2021, respectively. Each application was to include a description of the extent to which and how ARP ESSER funds would be used for authorized activities. LEAs were required to present the applications to their school boards to be voted on at a public meeting. Upon receiving school board approval, LEAs were to submit the grant applications to Washington for review and approval before spending funds but no later than August 31, 2024. Washington did not instruct LEAs to post their grant applications publicly or submit them within a reasonable time, that should have been no later than 90 days after they received their allocation, even though doing so was necessary to meet Federal requirements and guidance.

Based on a review of documents and other information provided by Washington, we determined that each LEA's Academic Plan, along with its grant applications, represented its ARP ESSER plan as these documents, collectively, included the required information. We found that Washington provided LEAs with guidance and technical assistance on authorized uses of Federal coronavirus pandemic funding. However, Washington's guidance to LEAs did not include the Federal requirements and guidance to develop and submit an LEA ARP ESSER plan within a reasonable time (but no later than 90 days after they received their allocation) and to post the plan on their website. During the audit, Washington initiated corrective action in response to the issues we identified to ensure that Federal requirements were met.

Washington's Review and Approval of LEA ARP ESSER Plans

Washington had two review processes for the LEA Academic Plan and grant application. Each process included reviewers using a tracking spreadsheet to record the review and approval of each LEA's ARP ESSER plan. For the Academic Plan, a team of six reviewers inputted information into a tracking spreadsheet, with each Academic Plan being assigned to one individual to review. The spreadsheet included details on each LEA's Academic Plan submission including a review for completeness, the existence of school

board approval, and confirmation of posting to the LEA's website. However, the spreadsheet was incomplete and not up to date. For example, it was missing listings for LEAs that received an ARP ESSER allocation. A Washington official stated that it had not been updated. An official said that a small number of LEAs required clarification from Washington or had an incomplete question on their plan. An official stated that reviewers provided technical assistance to the LEAs by phone or email. Academic Plans were eventually submitted by all LEAs and approved by Washington during the course of our audit. For the grant applications, one person who reviewed all applications maintained a tracking spreadsheet to record that they also received school board approval and that funds were being requested only for ARP ESSER-approved activities. However, the spreadsheet did not track all LEA grant application submission details, such as confirmation of public posting to the LEA's website and submission within a reasonable time, but no more than 90 days after the LEA received its ARP ESSER allocations. The reviewer would request a supervisor to perform a secondary review and also ask the LEA for more information on how an expenditure was linked to the pandemic when they received an application for a questionable expense. The reviewer stated that 10 to 15 percent of applications were not initially approved for two reasons—first, if the application lacked enough detail in the description of planned uses of funds and second, if the application did not comply with a requirement surrounding an apportionment for learning loss, as described above. Ultimately, all grant applications were approved after Washington provided technical assistance to each LEA.

Washington used its existing iGrants system for administering the ARP ESSER grant funds to LEAs. In July 2021, after the State of Washington Legislature approved the State to spend the ARP ESSER funds, Washington allocated ARP ESSER subgrants to the LEAs based on each LEA's share of funds received under Part A of Title I of the ESEA. Washington provided LEAs with separate allocations for the 20 percent of funds reserved for addressing the academic impact of lost instructional time and for the remaining 80 percent of funds. As described above, Washington required LEAs to submit through the iGrants system a grant application with narratives explaining how they planned to spend their ARP ESSER funds and a budget. This was to be done before they were able to spend funds, but no later than August 31, 2024. To receive reimbursement for funds, the LEA must have an approved grant application in the iGrants system.

The approved ARP ESSER grant budget was exported into the iGrants system, and the expenditures were assigned to the appropriate budget code. Once this was completed, LEAs could begin to request reimbursement of ARP ESSER funds. LEAs can submit a claim against the approved budgets monthly.

Washington's Processes Did Not Ensure Public Access to Full ARP ESSER Plans

Washington's processes for reviewing and approving LEAs' ARP ESSER plans did not ensure that all Federal requirements were met. For example, we found that two LEAs did not submit complete ARP ESSER plans to Washington for approval. The two LEAs were missing a part of their ARP ESSER plan, the Academic Plan, despite Washington already approving and reimbursing their ARP ESSER expenditures totaling about \$54,000. Washington instructed LEAs to submit Academic Plans by June 1, 2021; however, the two LEAs did not submit Academic Plans until January 2023, after we notified Washington of this issue.

In addition, Washington did not ensure that LEAs publicly posted their entire ARP ESSER plans to their websites, which, as noted above, comprised both the Academic Plan and the grant application as is necessary to comply with the IFR. We found that LEAs only posted the Academic Plan⁵ component of their ARP ESSER plans to their websites. However, the Academic Plan did not require LEAs to include a description of the extent to which and how ARP ESSER funds, specifically, would be spent on authorized activities, one of the Federal requirements. Instead, Washington met this requirement by requiring each LEA to submit a school board-approved grant application describing its planned uses of ARP ESSER funds. However, we found that Washington did not require LEAs to post these grant applications online, as required by Federal requirements. Upon our notifying Washington of this oversight in January 2023, Washington sent an email to LEAs requiring them to post their grant applications online. We then verified that Seattle, Granger, and an additional eight randomly selected LEAs corrected the issue by posting the complete plans to their websites.

Lastly, Washington did not ensure that LEAs submitted grant applications within a reasonable time, which the Department noted in its IFR should be no later than 90 days after an LEA receives its ARP ESSER allocation. Washington allocated the ARP ESSER funds to LEAs in July 2021. We found that six LEAs did not submit grant applications within 90 days of receiving their allocation, and one of the six still had not submitted its grant application at the time of our analysis 17 months later.⁶ In addition, Washington officials identified another 14 LEAs that had not yet submitted grant applications.

⁵ The Academic Plan was a survey completed by LEAs that had four questions that pertained to requirements of the Federal law—public input, public posting of the plan, and support for students.

⁶ The audit team judgmentally selected 11 LEAs to review the submission of their grant application component of the LEA ARP ESSER plan. We found that six of the 11 had not submitted an application within 90 days of receiving an allocation.

Washington provided outreach to these 15 LEAs, and within 2 weeks 9 LEAs had not yet submitted a grant application, 4 submitted a grant application, and 2 rejected the funding.

Each LEA receiving ARP ESSER funds must develop a plan for the LEA's use of ARP ESSER funds that includes a description of how the funds will be used to implement strategies consistent with most recent CDC guidance and statutory requirements; consult with stakeholders and seek public input on its ARP ESSER plan, and make the plan publicly available on their website; and submit the plan to the SEA by an SEA-determined deadline, which should be reasonable but no more than 90 days after receiving its ARP ESSER allocation, according to 86 FR 21198–21200 (April 22, 2021).

In addition, 2 Code of Federal Regulations (C.F.R.) section 200.303(a) states that the effective internal controls a non-Federal entity must establish and maintain over its Federal award provide reasonable assurance that it is managing its award in compliance with Federal statutes, regulations, and the terms and conditions of its award. These internal controls should be compliant with the Government Accountability Office's (GAO) "Standards for Internal Control in the Federal Government" or the Committee of Sponsoring Organizations of the Treadway Commission's "Internal Control Integrated Framework," May 2013 (COSO Report). According to the COSO Report, a component of internal control is control activities, which an organization implements through policies that establish what is expected and in procedures that put policies into action.

Also, the GAO's "Standards for Internal Control in the Federal Government" includes principles focused on control activities, use of quality information, and internal communication. Section 10.03 states that

[m]anagement clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

In addition, section 13.02 states that

[m]anagement designs a process that uses the entity's objectives and related risks to identify the information requirements needed to achieve the objectives and address the risks. Information requirements consider the expectations of both internal and external users. Management defines the identified information requirements at the relevant level and requisite specificity for appropriate personnel.

Lastly, section 13.03 states that, “[m]anagement identifies information requirements in an iterative and ongoing process that occurs throughout an effective internal control system. As change in the entity and its objectives and risks occurs, management changes information requirements as needed to meet these modified objectives and address these modified risks.”

Based on interviews and our review of Washington’s guidance, Washington officials prioritized complying with State Legislative requirements, put in place shortly before Federal requirements were issued, when developing the ARP ESSER plan guidance for LEAs and their processes for reviewing submitted plans. Washington officials stated that they were unaware that some Federal requirements were not covered under the State requirements—specifically, that LEAs must make plans for their use of ARP ESSER funds publicly available on their websites, with information specific to their uses of funds consistent with applicable sections of and activities authorized under the ARP, and that these plans must be submitted to the SEA within a reasonable time, which should be no later than 90 days after receiving an ARP ESSER allocation. In addition, Washington did not have formal written policies and procedures for reviewing and approving LEA ARP ESSER plans.

During the audit, Washington sent a mass email to LEAs requiring them to post grant applications as required by ARP ESSER;⁷ however, all LEAs lacked a publicly posted grant application for a significant period of time after having been allocated ARP ESSER funds. As a result, the public dissemination and transparency requirements of the ARP ESSER program were not fully met, and the public was not fully aware of how ARP ESSER funds were planned to be allocated and spent by their LEAs.

Recommendations

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

- 1.1 For LEAs with approved ARP ESSER plans, ensure that Washington has taken appropriate corrective actions so that these plans meet all ARP ESSER requirements.
- 1.2 For LEAs that have not yet submitted their ARP ESSER plans, require Washington to fully document its review and approval of these plans, once they have been submitted, to ensure that they comply with all ARP ESSER requirements.

⁷ At the time of our draft report, nine LEAs had not yet submitted a grant application.

Washington's Comments

Washington neither agreed nor disagreed with the finding but agreed with the recommendations. In response to recommendation 1.1, Washington stated that it completed corrective action for the issues identified. In response to recommendation 1.2, Washington stated that it will pursue a legal requirement that LEAs publicly post their annual budget.

OIG Response

Washington's comments were responsive to recommendation 1.1; however, its comments were not fully responsive to recommendation 1.2. Specifically, Washington's comments did not address LEAs' timely submission of their ARP ESSER plans and its documentation of the review and approval of these plans. We did not revise the recommendations in response to Washington's comments.

Finding 2. Washington’s Monitoring of LEAs’ Use of ARP ESSER Funds Could Be Strengthened

We found that Washington’s monitoring of LEAs could be strengthened to provide additional assurance that LEAs used ARP ESSER grant funds for allowable purposes and followed applicable regulations. Washington used its iGrants system to approve LEA ARP ESSER grant budgets and grant applications and process LEA ARP ESSER claims for reimbursement. However, the claim reimbursement process did not include collecting or reviewing any expenditure-supporting documentation. As stated below, we identified one expenditure that did not follow procurement requirements. Washington used its Consolidated Program Review (CPR) process to review selected LEA expenditures for compliance with Federal education program requirements, but its CPR process was not modified to take into consideration the higher risk associated with ARP ESSER expenditures to ensure selection of APR ESSER expenditures. As a result, Washington may not have sufficient assurance that ARP ESSER expenditures were allowable.

We selected a sample of 26 ARP ESSER expenditures out of 113,647 expenditures at 2 LEAs to test for allowability. We reviewed supporting documentation for the sample and identified one procurement-related issue where it was unclear why the selected vendor was chosen and what criteria were used for selection. For the remaining 25 expenditures, we found that the LEAs used ARP ESSER grant funds for allowable purposes and followed applicable requirements and policies.

Washington’s Oversight of LEA MOEquity Requirements

The audit team identified that 295 of 313 LEAs requested and received an MOEquity exception from Washington for FY 2022.⁸ For an LEA seeking an MOEquity exception for an exceptional or uncontrollable circumstance, Washington required the LEA to submit an attestation certifying that it would not implement an aggregate reduction in State and local per-pupil funding. The remaining 18 LEAs did not seek an exception and received approval from Washington for meeting MOEquity requirements. Washington officials stated that LEAs not seeking an exception were required to submit their funding calculation to Washington for review. If the funding calculation failed the requirements,

⁸ Of the 295 LEAs that received an exception to MOEquity requirements, 167 LEAs cited that they have a total enrollment of less than 1,000 students, 116 LEAs cited that they serve all students in a single building, 113 LEAs cited that they experienced an exceptional or uncontrollable circumstance, and 71 LEAs cited that they operate a single school. The number of LEAs cited is more than 295 because many of the LEAs met the criteria for more than one exception.

a Washington official said they provided technical assistance to the LEA to either correct the calculation or request an exception.

We found that Granger requested an ARP ESSER MOEquity exception for serving all students in a single building. Seattle requested an exception for an exceptional or uncontrollable circumstance and did not reduce the aggregate State and local per-pupil funding. Also, they both provided the required certification, and received confirmation from Washington that all required documentation was provided to support their exemption.

Washington’s Reimbursement Process

Washington reimburses LEA ARP ESSER expenditure claims monthly. As stated above, Washington used its iGrants system to reimburse LEAs for ARP ESSER expenditures. The process of reviewing LEA expenditures is an automated process using edit checks. After the budget has been approved, Washington officials enter allowable expenditures into the iGrants system. All allowable activities are assigned an ARP ESSER object code and have an associated budgeted cost. During the reimbursement process, the iGrants system will flag and not pay a claim if it is above the budgeted amount. Washington requires the LEA to submit an attestation with the expenditure claims that the claims are “true and accurate.” Any claim that has an allowable ARP ESSER object code and is within the budgeted amount will be approved. Washington does not require LEAs to provide supporting documentation for any expenditures. Washington officials stated that the expenditure-supporting documentation could be reviewed as part of an LEA’s single audit⁹ or the CPR monitoring process if selected as part of the review.

Washington’s Monitoring Process

Washington only reviews LEA expenditure-supporting documentation if the LEA is selected for an annual CPR. Officials select a sample of LEAs to review each year, then select a sample of expenditures from those LEAs and review the corresponding supporting documentation. During the coronavirus pandemic, Washington officials said

⁹ An annual single audit is an audit conducted in accordance with the Single Audit Act Amendments of 1996; the Office of Management and Budget’s Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 Code of Federal Regulations Part 200); the Office of Management and Budget’s Compliance Supplement; and Government Auditing Standards. A non-Federal entity that expends \$750,000 or more during the non-Federal entity’s fiscal year in Federal awards must have a single audit conducted.

they performed fewer CPRs due to the restrictions in place. Washington selected the following number of LEAs to perform CPRs during each of the past 4 school years:

- 2019–2020—95 LEAs selected for review,
- 2020–2021—0 LEAs selected for review,
- 2021–2022—14 LEAs selected for review, and
- 2022–2023—60 LEAs selected for review.

Prior to 2022, Washington’s monitoring selection was primarily organized by region with all LEAs in the region scheduled to be reviewed. In addition, every year, Washington reviewed the four LEAs receiving the largest amount of Federal funding (Seattle, Spokane, Tacoma, and Yakima) and another 10 LEAs that were selected based on risk. Washington officials stated that they started using a monitoring selection approach that is solely risk-based in the 2022–2023 school year. LEAs are selected for review based on the results of Washington’s new risk assessment rubric that considers such factors as findings from State auditor reports, length of time since last review, and Federal allocation amounts. Washington officials stated that ESSER funds were calculated into the Federal allocation amount for the 2022–2023 risk assessment.

The CPR process steps are documented in Washington’s Federal Fiscal Cross-Cutting Checklist. The checklist describes each requirement and its source, such as the specific State or Federal regulation. It also lists the evidence to review when determining compliance. The reviewer’s determination on each requirement is entered into an electronic system called Program Monitor. Determinations can range between varying levels of compliance to noncompliance. In a case of noncompliance, corrective action is required.

Once the LEA is selected, Washington officials will review the grant claims report to determine what Federal grants the LEA received during the year. The Washington monitoring team requests expenditure and transaction reports and reviews LEA policies and procedures related to grant claims, accounts payable, payroll and procurement. Washington officials will then select a sample of expenditures, based on judgmental

selection of transactions for review determined by the amount of Federal funding, and request the supporting documentation for the transactions.¹⁰

During the CPR, Washington officials will request the LEA's expenditure and transaction reports. Washington officials will then review the reports and compare them to the iGrants report to ensure that the information matches. In addition, for payroll review, Washington officials will identify sampled employees and determine if a selected employee is to be paid by the program or paid by multiple programs. If the employee is to be paid by multiple programs, the reviewer checks the monthly time and effort paperwork to ensure the appropriate program is charged. Lastly, Washington officials will ensure that the time and effort paperwork are signed and dated, and that the location, certifications, and classifications are correct. For non-payroll transactions, Washington officials will review supporting documentation, verify that the correct object code is being used, and review journal entries. For payments that require competitive procurement, officials will determine that all applicable policy is met, and if the expenditure is more than \$25,000, Washington officials will verify that the vendor is not suspended or disbarred.

One LEA Did Not Always Follow its Procurement Process

During the audit, we reviewed 26 ARP ESSER expenditures out of 113,647 expenditures at 2 LEAs to ensure the expenditures were allowable and supportable and that the LEAs followed applicable requirements and policies. We identified one expenditure for which the LEA failed to document adequate reasons as to why the vendor was selected in the procurement process. Seattle Public Schools awarded a transportation contract valued for at least \$890,315 using ARP ESSER funds for the 2021–2022 school year.

According to Seattle Public Schools Procedure 6220SP.D, Contracting for Services, “[t]he district shall obtain contracted services which will provide the greatest assurance that the desired services will be provided on time and within budget, while minimizing cost and risk to the district.”

¹⁰ Washington officials said that they judgmentally select expenditures that appear high risk, including credit card purchases, employee reimbursements, travel, large dollar expenses that are over the bid threshold, payments to unusual vendors, food purchases, and those with an unusual description that appear to be unallowable for the program. Moving forward, Washington plans to include random sampling in fiscal reviews, along with the current method of judgmental sampling.

Seattle's policy states that for all contracts, the district will conduct a selection process and prepare documentation for the selection process. The policy for Competitive Process for Service Contracts above \$75,000, states that

[w]here the District requires the same or similar services for several unrelated projects over an extended period, it may solicit statements of qualifications from vendors in the field. The statements are evaluated, and vendors who have the necessary qualifications and are available when the services are needed are selected. This process should be performed every three to five years, to assure open competition among vendors.

In addition, Seattle's Procedure 622OSP.D policy states that the following documentation and approvals are required for contracts:

Each Initiator shall be responsible for providing procurement with documentation as required for the competitive solicitation, which typically includes the following: a memo from the Initiator recommending an award to the vendor or contractor, the evaluation results for the request for proposal or request for qualifications, reference checks for the successful vendor, a copy of the Board minutes approving the contract, and a copy of the final, executed contract.

Because the contract used an open-ended purchase order to be paid based on services rendered, we were unable to determine if the selected vendor's costs were lower than those of other bidders. Seattle provided score cards and reviewer notes when the audit team requested justification for the selected vendor. Based on our review of this documentation, we were unable to determine how the vendor was selected over the other vendors who submitted qualifications and if it represented the best value to the LEA. The selected vendor did not receive the best overall score; in fact, they received one of the lower scores.

LEA Monitoring Could Be Strengthened

Washington's claims reimbursement process did not include a review of supporting documentation for any LEA ARP ESSER expenditures, even on a sample basis. In addition, although Washington does review expenditures as part of its CPR process, it did not modify its process so that ARP ESSER expenditures would be selected for review.

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 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.

Also, the non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function, or activity (2 C.F.R. section 200.329 (a)). Further, 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, as it relates to the Seattle expenditure in question, the accounting practices of a non-Federal entity must provide for adequate documentation to support costs charged to the Federal award (2 C.F.R. section 200.400 (d)).

Lastly, a non-Federal entity must perform a cost or price analysis in connection with every procurement action in excess of the simplified acquisition threshold including contract modifications. The method and degree of analysis varies, but as a starting point, the non-Federal entity must make independent estimates before receiving bids or proposals. Further, a non-Federal entity must negotiate profit as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed. To establish a fair and reasonable profit, consideration must be given to the complexity of the work to be performed, contractor risk and investment, the amount of subcontracting, past performance, and industry profit rates in the surrounding geographical area for similar work (2 C.F.R. section 200.324(a) and (b)).

Washington officials stated that they cannot review all expenditures during the reimbursement process due to the lack of staff to conduct the reviews timely. Washington uses the CPR process to review a sample of expenditures based on a risk analysis.

ARP ESSER is a new program with its own unique requirements and a wide range of authorized activities, providing an unprecedented amount of funding for elementary and secondary education in the United States. As a result, there is substantial interest in

how and on what funds are being spent, and in ensuring that they are being spent appropriately. There is also inherent and higher risk associated with ARP ESSER given the size and nature of this emergency program. The Department and the Office of Management and Budget recognized this by designating the Education Stabilization Fund, which includes ARP ESSER, as higher risk.¹¹ Washington should likewise consider ARP ESSER to be a higher risk program and take steps, using a risk-based approach, to provide greater assurance that LEAs' ARP ESSER expenditures meet all applicable requirements. Without such oversight controls in place, Washington is at risk of not identifying expenditures by its LEAs for unallowable or unapproved purposes and other instances of noncompliance.

Recommendation

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

2.1 In order to address the heightened risk associated with ARP ESSER funds, for the reimbursement and monitoring processes, develop and implement protocols to sample LEA expenditures charged to ARP ESSER, and to review supporting documentation, including procurement process documentation, to ensure that applicable Federal, State, and local requirements are met.

Washington's Comments

Washington neither agreed nor disagreed with the finding but agreed with the recommendation. First, Washington stated that it will update its processes for reimbursing and monitoring LEAs to ensure that expenditures are sampled and tested for compliance with applicable Federal requirements. Second, Washington stated that it reviewed ARP ESSER expenditures using its CPR process.

OIG Response

Washington's first comment about revising the reimbursement and monitoring process is responsive to the recommendation. In response to Washington's second comment, we clarified the report noting that the CPR process does not ensure that ARP ESSER funds are selected for review, given the heightened risks.

¹¹ The Education Stabilization Fund, consisting of ESSER and other pandemic relief programs, was designated as higher risk in the Office of Management and Budget's Compliance Supplements for 2021, 2022, and 2023. This designation was made pursuant to 2 C.F.R. section 200.519(c)(2).

Appendix A. Scope and Methodology

Our audit objectives were to determine whether Washington had an adequate oversight process in place to ensure that (1) LEAs' ARP 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 audit covered March 24, 2021, through October 31, 2022. We held an exit conference on May 30, 2023, and discussed our audit observations with Washington officials.

To achieve our objective, we gained an understanding of the following laws, regulations, Department guidance, and grant documents relevant to ARP ESSER:

- The CARES Act, March 27, 2020
- CRRSAA, December 27, 2020
- The ARP, March 11, 2021
- 2 C.F.R. part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- Washington, Seattle, and Granger procurement policies
- The Department's ARP ESSER Fact Sheet
- The Department's ESSER and Governor's Emergency Education Relief Use of Funds frequently asked questions, updated December 7, 2022
- The Department's frequently asked questions, ARP ESSER, MOEquity Requirements, July 26, 2022
- The Department's letter on liquidation deadline to the American Association of School Administrators, May 13, 2022
- The Department's ARP ESSER, "Using Covid-Relief funds for facility upgrades, renovations, and construction," September 2, 2021
- The Department's COVID 19 Handbook, "Roadmap to Reopening Safely and Meeting All Students' Needs"
- The Department's "Strategies for Using American Rescue Plan Funding to Address the Impact of Lost Instructional Time"
- The Department's "How ARP Funds Can Prevent and Respond to Crime and Promote Public Safety," June 2021
- GAO's Green Book, "Standards for Internal Control in the Federal Government," September 2014

- The COSO Report, May 2013

We gained an understanding of Washington’s oversight and monitoring activities through interviews with SEA and LEA officials. We interviewed employees and officials from Washington, Granger, and Seattle who had significant roles in establishing, implementing, administering, or monitoring the ARP ESSER program. To assess the reliability of the testimonial evidence, we compared information obtained from interviews with records related to Washington’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.

Additionally, we reviewed documents and records. We reviewed documents identifying Washington’s staff who had a role in establishing, administering, or monitoring the ARP ESSER program. We reviewed Washington’s guidance and technical assistance documents provided to LEAs regarding ARP ESSER plans and funding. We reviewed written policies and procedures to gain an understanding of how Washington monitored LEAs’ use of ARP ESSER funds, including the CPR, reimbursement process, and MOEquity determinations. We also reviewed the tools that Washington used to monitor LEA ARP ESSER plans and LEAs’ use of ARP ESSER funds. The purpose of these document reviews was to gain an understanding of how Washington administered and monitored ARP ESSER funds.

Internal Controls

We obtained an understanding of all five GAO areas of internal control (control environment, risk assessment, control activities, information and communication, and monitoring) relevant to Washington’s oversight and monitoring activities for the ARP ESSER program. We concluded that all five components of internal control were significant to our audit objective.

- Control environment—oversight structure, oversight for the internal control system, assignment of responsibility and delegation of authority, and documentation of Washington’s internal control system.
- 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.
- Information and Communication—use quality information and communicate it internally and externally.
- Monitoring—establish and operate monitoring activities to monitor the internal control system and evaluate results.

- Risk assessment—risk identification, analysis of risk, responses to risk, including consideration of the potential for fraud.

As discussed in our findings, we identified weaknesses in Washington’s ARP ESSER oversight processes, particularly with respect to its control activities and monitoring processes.

Sampling Methodology

To determine if Washington had an adequate oversight process to ensure that LEAs use ARP ESSER funds in accordance with applicable requirements and their approved LEA ARP ESSER plans, we reviewed activities at 2 LEAs and tested a sample of 26 expenditures in total from the 2 LEAs. We judgmentally selected the LEA with the largest ARP ESSER funding allocation. For the second LEA selected, we excluded LEAs that received an ARP ESSER allocation of less than \$5 million and had expended less than 25 percent of their allocation. We chose this sampling strategy to ensure the selection of an LEA with a significant allocation amount and an LEA with significant grant fund expenditures. Our LEA sample was not a statistical sample and cannot be projected. We selected Granger School District (Granger) and Seattle Public Schools (Seattle).

For Granger, we selected a sample of 13 expenditures from a total population of 3,885 line items. The population of expenditures were comprised of expenditures categorized for learning loss (20 percent of the LEA’s ARP ESSER allocation) and the remaining expenditures (80 percent of the LEA’s ARP ESSER allocation).

- From the learning loss population, we randomly selected three expenditures greater than \$2,000.
- From the other expenditures population, we selected the three vendors with the largest total expenditure amount and picked the highest dollar expenditure from each vendor. Then, we randomly selected seven additional expenditures greater than \$5,000.

For Seattle, we selected a sample of 13 expenditures from a total population of 109,762 line items. Like Granger, the population of Seattle’s expenditures were comprised of expenditures categorized for learning loss (20 percent of the LEA’s ARP ESSER allocation) and the remaining expenditures (80 percent of the LEA’s ARP ESSER allocation).

- From the learning loss population, we randomly selected three expenditures greater than \$10,000.
- From the other expenditures population, we selected the two vendors with the largest total expenditure amount and picked the highest dollar expenditure

from each vendor. Then, we selected the highest dollar expenditure from a vendor that was judgmentally selected. The vendor was chosen so we could compare expenditures from the same vendor used by Granger. Next, we randomly selected seven expenditures greater than \$10,000.

Use of Computer-Processed Data

We relied, in part, on computer-processed data from Granger’s and Seattle’s accounting systems. We used a list of expenditures provided by each LEA from their accounting system to select a sample of expenditures to test for allowability. To assess the reliability of the expenditure data, we reviewed the amount of ARP ESSER funds expended to ensure that it was less than the total allocation. Also, we verified the individual expenditures’ totals to evidence provided as support for each sampled expenditure. We did not identify any issues and concluded that the data in Granger’s and Seattle’s accounting systems were sufficiently reliable for the purposes of our audit.

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 finding 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 Washington’s officials on May 30, 2023.

Appendix B. Allowable Use of Funds

Activities that an LEA may support with ESSER funds include:¹²

1. Any activity authorized by the ESEA, including the Native Hawaiian Education Act and the Alaska Native Educational Equity, Support, and Assistance Act (20 United States Code (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 (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

¹² According to CARES Act section 18003(d), CRRSA Act section 313(d), and ARP Act section 2001(e).

online learning to all students, providing guidance for carrying out requirements under the IDEA 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

Academic Plan	Academic and Student Well-being Recovery Plan
ARP	American Rescue Plan
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CDC	Center for Disease Control and Prevention
C.F.R.	Code of Federal Regulations
COSO Report	Committee of Sponsoring Organization of the Treadway Commission's Internal Control Integrated Framework
CPR	Consolidated Program Review
CRRSAA	Coronavirus Response and Relief Supplemental Appropriations Act
Department	U.S. Department of Education
ESEA	Elementary and Secondary Education Act of 1965
ESSER	Elementary and Secondary School Emergency Relief
FR	Federal Register
FY	fiscal year
GAO	U.S. Government Accountability Office
Granger	Granger School District
IFR	Interim Final Requirements
LEA	local educational agency
MOEquity	Maintenance of Equity
OESE	Office of Elementary and Secondary Education
SEA	State educational agency
Seattle	Seattle Public Schools
U.S.C.	United States Code
Washington	Washington Office of Superintendent of Public Instruction

Washington's Comments

Old Capitol Building
 PO Box 47200
 Olympia, WA 98504-7200



Washington Office of Superintendent of
PUBLIC INSTRUCTION
 Chris Reykdal, Superintendent

k12.wa.us

August 25, 2023

Daniel P. Schultz, Director of Pandemic Relief Audits
 Keith Cummins, Director of State and Local Advisory & Assistance
 Office of Inspector General
 U.S. Department of Education

Dear Directors Schultz and Cummins:

Thank you for the opportunity to provide a response to the U.S. Department of Education Office of Inspector General draft report, *Washington's Oversight of Local Educational Agency ARP ESSER Plans and Spending*.

We appreciate the diligent and thorough work of you and your team, as well as your consistent communication with us. As an organization that is committed to continuous improvement and utilizing taxpayer resources with fidelity and transparency, we are thankful for the opportunity to review our processes and make improvements.

You asked us to share with you whether we agree or disagree with your recommendations. The Office of Superintendent of Public Instruction (OSPI) agrees with both of your recommendations, and in the table below, we provide information about steps we have already taken or plan to take in order to implement the recommendations.

FINDING 1: Washington's LEA ARP ESSER Plan Review and Approval Process Did Not Ensure that Plans Met All Applicable Requirements	
RECOMMENDATIONS	OSPI RESPONSE
1.1. For LEAs with approved ARP ESSER plans, ensure that Washington has taken appropriate corrective actions so that these plans meet all ARP ESSER requirements.	As indicated in the report, Washington initiated corrective action during the ongoing audit and completed the process in April 2023 in response to the issues identified to ensure all federal requirements were met.
1.2. For LEAs that have not yet submitted their ARP ESSER plans, require Washington to fully document its review and approval of these plans, once they have been submitted, to ensure that they comply with all ARP ESSER requirements.	Related to the requirement for public posting on school district websites, OSPI will engage in rulemaking, beginning in Winter 2023/24, to update the Washington Administrative Code (WAC) related to posting of annual district budgets (WAC 392-123-054) to require online posting.

FINDING 2: Washington’s Monitoring of LEAs’ Use of ARP ESSER Funds Could Be Strengthened	
RECOMMENDATIONS	OSPI RESPONSE
<p>2.1. For the reimbursement and monitoring processes, develop and implement protocols to sample LEA expenditures charged to ARP ESSER, and to review supporting documentation, including procurement process documentation, to ensure that applicable Federal, State, and local requirements are met.</p>	<p>OSPI is updating our reimbursement and monitoring processes in order to sample LEA expenditures to ensure that applicable federal requirements are met. These new changes will take effect in the 2023–24 fiscal year.</p> <p>It should be noted that OSPI <i>did</i> use our existing Consolidated Program Review (CPR) process to review ARP ESSER expenditures, contrary to the language on page 21 of the draft report.</p>

In addition, we respectfully request the following revisions to the Background and Introduction sections of the report in order to provide more contextual information:

1. Background (page 7): Clarify the Washington state context in relation to the national emergency response. On March 13, 2020, President Trump declared a national state of emergency. On that same day, the entire state of Washington was already transitioning to remote learning. We have shared with you the impacts the advancing COVID pandemic had on Washington state compared to the lag in the rest of the country. We were simply weeks ahead of the public health crisis. This, coupled with a disorganized and reticent response from the White House, forced states, including Washington, to make decisions more quickly for the health and safety of our students and families in February and March of 2020.
2. Introduction (page 12): Clarify OSPI’s oversight of LEAs. We have oversight of 295 school districts, 7 state-tribal education compact schools, and multiple charter schools. OSPI’s oversight and legal relationship with educational service districts (ESDs) is different than that of other LEAs, as most ESDs do not operate as an LEA.
3. Introduction (pages 12 and 13): Granger and Seattle School Districts are very different in terms of student enrollment and budget size. We request that you add both districts’ total annual budget amount to provide contextual understanding of the percentage of their budgets that the ESSER funds comprised. We also ask that you specify that the totals of ESSER funds provided are meant to span three years.

Directors Schultz and Cummins
August 15, 2023
Page 3

Thank you again for the opportunity to review our processes with you and make improvements.
Please do not hesitate to reach out to my office with any additional questions you may have.

Sincerely,



Chris Reykdal
Superintendent of
Public Instruction