

Michigan Department of Education
Initial Report
Elementary and Secondary School Emergency Relief Funds

PURPOSE

This initial report is submitted as required by Attachment T: Grant Conditions of the Elementary and Secondary School Emergency Relief (ESSER) fund grant award notification. This initial report details the budget for Michigan Department of Education's (MDE) reservation of funds including administrative costs and the uses of funds for emergency needs to address issues related to the coronavirus (COVID-19). It also outlines MDE's internal control plan and subrecipient monitoring plan.

INTRODUCTION

MDE received \$389,796,984 from the ESSER Fund (CFDA 84.425D) part of the Education Stabilization Fund program authorized by the Public Law 116-136, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). MDE was awarded the grant on April 29, 2020.

GRANT AWARD INFORMATION

Recipient Name:	Michigan Department of Education
Award Number:	S425D200010
Project Description:	84.425D, Elementary and Secondary School Emergency Relief Fund
Award Period:	4/29/2020 – 9/30/2021
Current Award:	\$389,796,984
LEA/PSA* distribution:	\$350,817,286
Reserve grant program	\$37,030,713
SEA** administration	\$1,948,985

* Local Education Agency (LEA) and Public Service Academy (PSA)

**State Education Agency (SEA)

BUDGET (see ED-524 form)

MDE will use the administrative funds to support the administration, management, monitoring, and reporting of the ESSER funds. This includes using administrative funds to support the development costs necessary to adapt MDE's existing application and monitoring systems, to design and produce reports, and to extend monitoring functions through the life of the funds, September 30, 2022.

The reserve grant program will focus on reducing the digital divide in Michigan's highest-need school communities. MDE will seek sustainable and collaborative projects to help districts and PSAs in Michigan develop a plan to reduce the local digital divide by making the best investments for their population of disadvantaged students and their communities. Michigan districts are ensuring that short-term connectivity solutions have a viable long-term solution to address their current and

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emerging education needs. The intent is to ensure that the reserve grant programs are data-driven, community-focused, and coordinated both regionally and statewide. A portion of the reserve funds will also be used to address mental health concerns at the local level.

INTERNAL CONTROL PLAN

The Deputy Superintendent for Finance and Operations will be responsible for all aspects of the ESSER funds for MDE. The Deputy Superintendent for Educator, Teacher, and School Supports is responsible for developing and managing programmatic outcomes for ESSER funds.

MDE will use current expertise within the department to ensure the emergency relief funds awarded under ESSER grant programs are properly designed and implemented to address the greatest needs of students, teachers, and parents across the state. This includes ensuring that equitable services are provided to students and teachers in non-public schools as required under the CARES Act. MDE will use a cross-office management structure that will support a variety of needs and allow for different program offices to oversee and manage the different programs as envisioned by the department's executive leadership.

MDE will use existing processes, controls, and systems to track all federal awards, subrecipient monitoring and reporting. This includes using a coordinated, risk-based monitoring program to review both fiscal and programmatic objectives of the ESSER formula and reserve grant programs.

MDE uses electronic systems that provide automated application, reporting, and monitoring for all federal grants. The Michigan Electronic Grants System Plus (MEGS+) application system allows all eligible subrecipients to apply for grants following federal guidance. The grants systems will be used to collect applications for all COVID-19 related grant programs. The system automatically controls eligible applicants and checks for submission errors, assurances, certificates, contact information, detailed budgets, provision of equitable services, and narrative responses. The application system allows for the approval of all submitted budgets. After submission of applications, MDE is able to approve and track the applications through the approval process, including tracking the original submission, any modifications and/or amendments. Once a grant is approved in MEGS+, an approval file is forwarded to the Cash Management System (CMS), where the approval and withdrawal of funds can be tracked by both the subrecipient, as well as MDE staff.

CMS allows for subrecipients to access and request their funds on a reimbursement basis. MDE can track the timing and amounts of all transactions. Once a grant is 100% drawn or the grant end date is reached, subrecipients will report their final expenditures in CMS. CMS compares final expenditures against the last approved budget. The system will flag all deviations over 10% allowing for easy tracking of

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approved expenditures. CMS is used to track the review of all final expenditure reports. It also provides all the necessary automated tools to track all subrecipient fiscal transactions, including cash draw timing, expenditure rate, and budget comparisons.

The Grant Electronic Monitoring System/Michigan Administrative Review System (GEMS/MARS) will be used to manage the ESSER monitoring program. When reporting requirements are defined, MDE will collect reportable fields in the electronic system. Districts will upload documents and provide any required data or information as part of the monitoring process. Examples include general ledger excerpts, non-public school consultations, defined reports, and any additional documentation that may be required.

Key Personnel

Position	Name	Responsibility
State Superintendent	Dr. Michael F. Rice	State of Michigan Superintendent
Deputy Superintendent	Kyle L. Guerrant	Finance and Operations
Deputy Superintendent	Dr. Venessa Keesler	Educator, Student, and School Supports
Director, Office of Financial Management (OFM)	Ann Richmond	Cash management, fiscal reporting, auditing, monitoring, grants operations
Director, Office of Educational Supports (OES)	Dr. Paula Daniels	Spending plans, equitable services, federal programs
Director, Office of Systems, Evaluation, and Technology (OSET)	David Judd	Statewide technology, remote learning, education networks
Assistant Director, OFM	Louis Burgess	CARES Act/ESSER Manager

Key Information Systems

System	Purpose	Business Owner	Office
MEGS+	Electronic grant application system	Monica Butler	OFM
CMS	Cash management system	Brandon Reed	OFM
GEMS/MARS	Grant monitoring system	Joshua Long	OFM

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Risks

Internal Risks

1. Temporary layoff days. Most MDE staff have been temporarily laid off one day a week for at least 10 weeks. This reduces the work week by eight hours per week, 16 hours per pay period for staff that will be assigned to work on the grant. MDE will manage workloads to account for layoff days.
2. Budget shortfall. The State of Michigan is facing severe revenue declines in both fiscal years 2020 and 2021. Long-term solutions could include additional administration reductions and other measures that could affect the execution of management and monitoring activities.
3. Hiring freezes. While current staff will be used to manage the grant programs, additional monitoring staff may be required to properly manage the monitoring program.
4. Risk mitigation. MDE will rely on existing procedures and established information technology systems to support the ESSER grant programs.

External Risks

1. Budget shortfall. The impact of budget shortfalls in School Year 2019-20 and following years will impact local education agency administration and business operations. Reduction in administrative and financial support at LEAs could affect proper management of grants. The Michigan Department of Treasury maintains an Early Warning list of districts that are experiencing signs of fiscal stress and potential deficit. Districts in deficit are required to develop deficit elimination plans and submit them to the state for approval. The Financial Independence Team is a cross-agency collaboration between MDE and the Department of Treasury focused on supporting school districts identified in need of financial and educational assistance. Districts with known fiscal challenges prior to COVID-19 will be included in the monitoring risk assessment.
2. Adapting to the realities of COVID-19. As LEAs/PSAs adapt to new teaching and learning paradigms, LEAs/PSAs also have to resolve budget shortfalls and personnel decisions. LEAs/PSAs face many competing priorities as the new school year gets closer. Uncertainty in budgets, student counts, and personnel will all affect districts' capabilities to properly account for federal grants.
3. Prior Single Audit findings. MDE currently tracks all single audit findings and will include any recent single audit findings as a risk factor. Prior single audit

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findings are useful in helping determine a subrecipient's ability to follow federal guidelines and to institute internal control.

4. Change in provision for equitable services. United States Department of Education (USED) guidance for providing equitable services is new and has not been part of prior procedures. Impact: Nonpublic schools' services could be impacted based on the individual district's responsibility to provide equitable services to all nonpublic school students and teachers.

Access to Primary Documentation

All ESSER grants include an assurance that every subrecipient receiving federal funds will comply with all federal regulations. In addition, there is an assurance regarding access to records and financial statements. MDE policy and practice require subrecipients to provide all required documentation prior to the monitoring review. MDE sends a list of documents that must be uploaded prior to the monitoring review. Examples of documents to be uploaded include general ledger details, supporting documents, equitable services consultation, final expenditure reports, and payroll details.

MDE annually updates the Michigan School Auditing Manual (MSAM). When the MSAM is published, there is an audit alert that provides a summary of topics to highlight changes and any areas of any special emphasis, such as COVID-19. The MSAM is updated annually to reflect the most recently available Compliance Supplement released by the Office of Management and Budget (OMB). The purpose of all these documents is to assist auditors in performing the required audits. MDE participates in training for school districts, conducts statewide and regional business conferences, and provides updated guidance through regular communication to school districts.

Subrecipient Monitoring Plan

MDE will use its current monitoring processes for all ESSER grants. The effort for the first year will focus on the ESSER formula grants. This will include reviewing the delivery of equitable services as it is required in the CARES Act. While some monitoring requirements are ESSER specific, the program and fiscal monitoring is standard for all federal grants. MDE's ESSER subrecipient monitoring program will serve several important purposes:

- a. To ensure that subrecipients of ESSER grants, especially ESSER formula grants, have appropriate internal controls; promote operating efficiency; and achieve compliance with applicable statutory and regulatory requirements.
- b. To track MDE's progress in implementing goals of the grant programs.

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- c. To ensure LEAs/PSAs provide equitable access to students and teachers in non-public schools as required under the CARES Act, and in accordance with USED guidance.
- d. To identify potential or existing problem areas or weaknesses.
- e. To identify areas where additional technical assistance is warranted.
- f. To identify areas of strength, as state assets, to build a network to share best practices, lessons learned, and resources.

MDE will assign a manager to be responsible for developing the ESSER monitoring team. The team will be responsible to develop procedures and checklists for all monitoring activities. The team will develop a risk-based monitoring process that will be based on the revised risk assessment. Both program and fiscal monitoring will be designed to be conducted as desk reviews. MDE will develop monitoring protocols, with check sheets for each grant program. MDE will request specific documents to be uploaded into GEMS/MARS for review.

Revised Risk Assessment

MDE will use the following factors to determine rank and prioritization of LEAs/PSAs to monitor ESSER grant funds.

- Federal Allocations. LEAs/PSAs allocation amounts.
- Date of last monitoring review by MDE.
- The number of deviations noted on the Final Expenditure Report (FER) over a five-year period for federal formula grants.
- Department of Treasury Early Warning list.
- Single Audit findings in federal programs for the past three years.
- Ombudsman Complaints. Complaints over the previous three school years.
- District leadership changes. Changes in executive administration and/or business office.
- Review current monitoring processes to meet ESSER grant requirements and edit if necessary.

Schedule for Subrecipient Monitoring

The schedule for monitoring subrecipients will be determined later. The timeline for establishing a comprehensive monitoring program will be as follows.

October 1, 2020	Create ESSER monitoring team. MDE will determine the best means to develop a subrecipient monitoring capability that will review program, fiscal, and equitable
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	services issues for ESSER formula and reserve grant programs.
December 15, 2020	Publish monitoring procedures, protocols, check lists, and guidance for all ESSER grants and reporting.
December 15, 2021	Publish tentative monitoring schedule. Identify high risk subrecipients.
March 15, 2021- June 30, 2022	Subrecipient Reviews (Desk); monitor; follow-up.
September 30, 2022	Close our report; findings resolved from all monitoring visits.
November 29, 2022	Final Expenditures due for all grants with end date of September 30, 2022.
To be determined:	Final report due to USED.