



February 26, 2022

To: Board of Education

Michael J. Martirano, Ed.D., Superintendent

I reviewed certain processes for COVID-19 relief funds. The review was performed as part of the Fiscal Year 2022 Internal Audit Plan.

Summary

HCPSS has clearly defined planning and budgeting, accounting and reporting, and auditing processes for the use of relief funds. HCPSS recognizes the risk on operations when relief funds expire and is planning to use them in a manner which reduces or eliminates the risk to the extent practicable.

COVID-19 Relief Acts

The CARES Act (ESSER I), CRRSSA Act (ESSER II), and ARP Act (ESSER III)¹ provide relief funds to school systems as they work to reopen schools safely, maximize in-person instructional time, and provide opportunities to address the impacts of lost instructional time resulting from the COVID-19 pandemic. School systems have been encouraged to take into consideration how relief funds can be used to address inequities, including focusing supports and services on students from low-income families, students of color, students with disabilities, English learners, students experiencing homelessness, children and youth in foster care, migratory students, children who are incarcerated, and other underserved students who have been disproportionately impacted by the pandemic. The ARP Act (ESSER III) requires that 20 percent of relief funds be used for student supports that implement evidence-based interventions to address learning loss.

¹ CARES - Coronavirus Aid, Relief, and Economic Security Act; CRRSSA - Coronavirus Response and Relief Supplemental Appropriations Act, 2021; ARP - American Rescue Plan Act of 2021; ESSER - Elementary and Secondary School Emergency Relief Fund

HCPSS was awarded 18 grants totaling approximately \$100.7 million in COVID-19 relief funds through December 31, 2021. It expended approximately \$25.7 million through then. Each of the grants has a specified term of use for the remaining relief funds with the outer most term extending to September 30, 2024.

Planning and Budgeting

HCPSS management said it generally follows the same policies and procedures with relief funds as it does with all other grant funds, including ensuring the Board approves all grants equal to or more than \$100,000. However, senior staff in the Division of Academics and Division of Administration pointed that the combined nature of the sweeping impact of the pandemic on all aspects of the school system; the expedited nature of applying for the grants and putting pandemic action plans in place; and the increased Board, stakeholder, and public interest in the funds have generally required increased internal coordination, collaboration, and communication regarding the uses of relief funds.

The relief fund grant applications specified the priority and eligibility of expenditures allowable under each grant. In general, the applications prioritized the:

- Continuity of learning (Chromebooks, instructional software);
- Student and staff public health safety measures (cleaning supplies, tents, HEPA filters, facility modifications, and HVAC improvements);
- Personal protection equipment (masks, gloves, and gowns);
- Recovery of learning (summer school, tutoring, and extended school year programs); and
- Remediating the academic and social and emotional impacts of COVID-19 on students to re-establish student engagement and support well-being.

According to the Division of Academics, some of the ARP relief funds aligned with the Blueprint for Maryland's Future behavioral health policy objectives and require tracking of performance metrics related to COVID-19 and other forms of student trauma. HCPSS research and program evaluation staff have been setting performance objectives and will begin reviewing progress on the established metrics after the first semester of fiscal year 2022.

Accounting and Reporting

The review and approval of the use of relief funds follows the budget and accounting processes applied to all other budgets established in Workday. The Division of Administration added measures to facilitate quick action and procurement of goods and services while ensuring the appropriate tracking of COVID-19 related expenses with checks and balances. The measures included creating a special COVID-19 cost center, requiring all expenses charged to the cost center to be approved by the Chief Administrative Officer, and requiring all requisitions over \$10,000 to be approved by the Executive Director of Budget.

In addition, HCPSS created a public webpage for relief funds under ARP (ESSER III) and the Division of Administration provides a monthly report to the Board that compares budgeted to actual relief funds. The webpage includes an overview of the approximately \$43 million ESSER III grant, a grant summary table and narrative on uses of the funds, a link to a Board Report that provided the grant application, a detailed budgeting of the use of relief funds from the grant, and links to other relief fund information. The monthly report provides a description of the uses and the budgeted and actual revenues, obligations, expenditures, and update for each relief fund grant. HCPSS is unique among neighboring school systems in providing a monthly report with such detail. In response to interest from the Board, the Division of Administration is evaluating ways to expand reporting of relief funds and other grants in the operating budget and annual financial statements.

Auditing

The financial and single audits of HCPSS cover relief funds. The financial audits for fiscal years 2020 and 2021 included detailed tests of relief fund revenues and expenses for those years to ensure the amounts were properly recorded in the accounting system and included in financial statements. The single audits for fiscal year 2020 and 2021 included detailed tests of most relief funds to ensure they were reflected in allowable costs and activities, were in the proper period of performance, and were properly reported to MSDE.²

Expiration of Relief Funds

HCPSS recognizes the potential risk on operations when relief funds expire and plans to use relief funds in manner which reduces or eliminates the risk to the extent it believes is practicable.³ Specifically, HCPSS recognizes that issues such as needing to ameliorate learning loss, address the trauma caused by COVID-19 and being away from school buildings, and sustaining the need for technology for a more adaptable learning and instruction environment may last longer than relief funds are available. Accordingly, HCPSS is closely monitoring the uses of relief funds and “titrating” or managing the expenses for those activities or services with a known need to be sustained in the operating budget long-term and using relief funds to the extent practicable for one-time expenditures such as HVAC repair and replacement.

Management Comments

Management reviewed a draft of this letter and agreed with the discussion of issues in it.

² Maryland State Department of Education

³ The risk is sometimes informally referred to as a “fiscal cliff,” which is generally defined as the effect on operations when there is a sudden drop in revenues.

This letter is intended primarily for the information and use of the Board of Education, Superintendent, and senior management. Any questions about the letter should be addressed to them or me. I can be reached at David.Clark@HCPSS.Org or 410-294-9787.



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