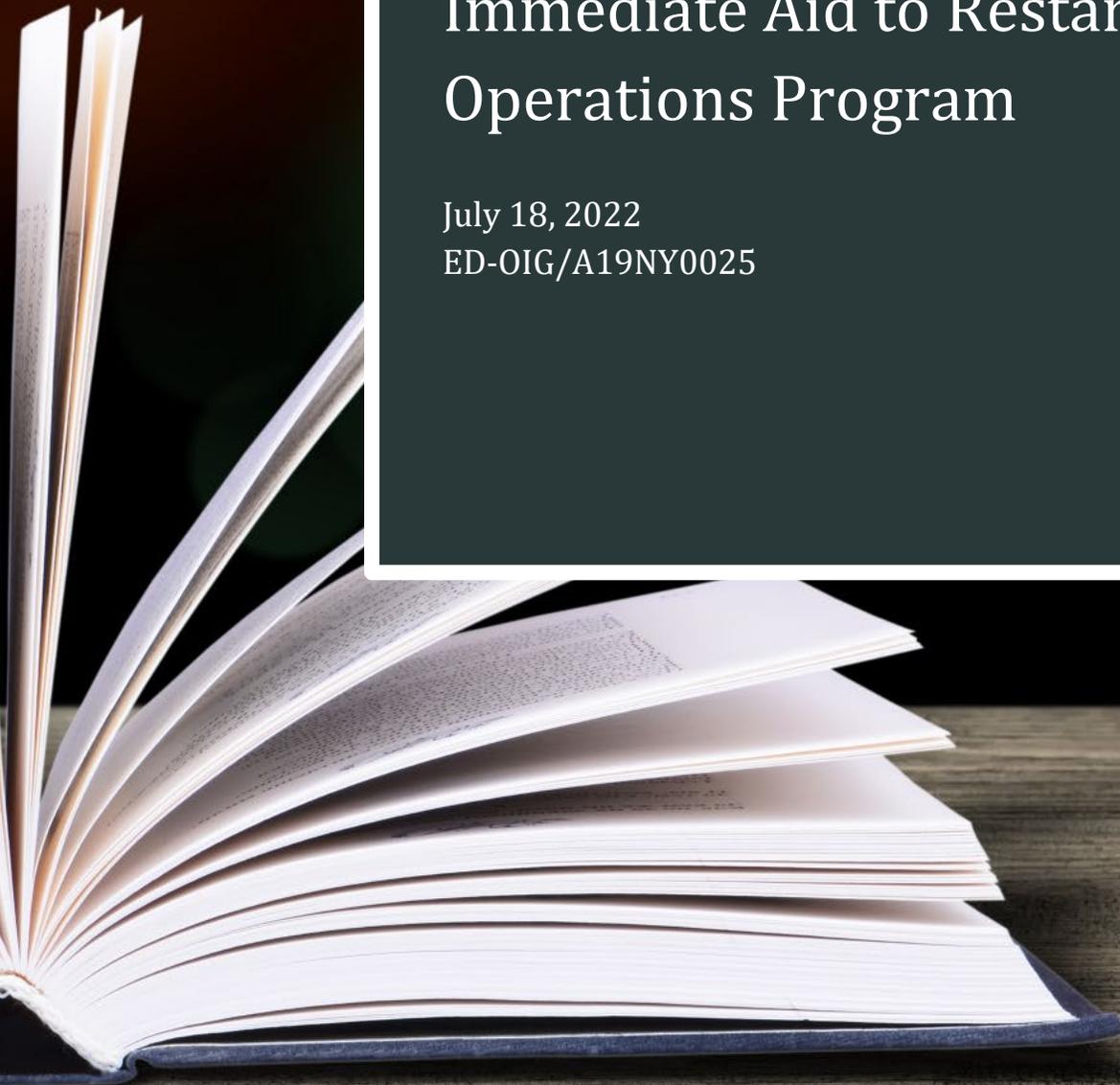




U.S. Department of Education  
Office of Inspector General

# California Department of Education's Administration of the Immediate Aid to Restart School Operations Program

July 18, 2022  
ED-OIG/A19NY0025



## 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

July 18, 2022

Tony Thurmond  
State Superintendent of Public Instruction  
1430 N Street, Suite 5602  
Sacramento, CA 95814

Dear Superintendent Thurmond:

Enclosed is our final audit report, "California Department of Education's Administration of the Immediate Aid to Restart School Operations Program," Control Number ED-OIG/A19NY0025. This report incorporates the comments you provided in response to the draft report. 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:

James Lane  
Delegated the Duties of the Assistant Secretary of Elementary and Secondary Education  
U.S. Department of Education  
Office of Elementary and Secondary Education  
400 Maryland Ave., SW  
Washington, DC 20202

The U.S. Department of Education's policy is to expedite audit resolution by timely acting on findings and recommendations. Therefore, if you have additional comments, we would appreciate receiving them within 30 days.

Sincerely,

/s/

Myra Hamilton  
Regional Inspector General for Audit

Enclosure

# Table of Contents

Results in Brief .....	1
Introduction .....	5
Finding 1. California Appropriately Allocated Restart Program Funds.....	9
Finding 2. California Needs to Improve its Processes for Ensuring that LEAs Use Restart Program Funds for Allowable and Intended Purposes .....	11
Appendix A. Scope and Methodology.....	21
Appendix B. Acronyms and Abbreviations.....	26
Appendix C. California’s Comments.....	27

## Results in Brief

### What We Did

The objective of our audit was to determine whether the California Department of Education (California) appropriately allocated Immediate Aid to Restart School Operations (Restart) program funds and ensured that local educational agencies (LEA) and nonpublic schools used Restart program funds for allowable and intended purposes. Our review covered California's processes used to ensure that 2018 and 2019 Restart program funds were allocated to eligible LEAs and nonpublic schools and that the expenditures charged to the Restart program from April 30, 2018, through August 31, 2021, were for allowable and intended purposes.

To accomplish our audit objectives, we reviewed California's processes for administering its 2018 and 2019 Restart grants and monitoring LEAs to ensure that expenditures were for allowable and intended purposes. Specifically, we reviewed California's process for reimbursing expenditures for the only 2 nonpublic schools and 5 judgmentally selected LEAs of the 17 LEAs that received 2018 Restart program funds.

In addition, we judgmentally selected two LEAs to determine if Restart funds were used for allowable and intended purposes. We reviewed expenditures for 1 of 17 LEAs (Goleta Union School District) that received about \$1.9 million in 2018 Restart grant funds and 1 of 17 LEAs (Paradise United School District) that received over \$7 million in 2019 Restart grant funds.<sup>1</sup> These LEAs received about \$8.9 million in Restart program funds that California awarded to LEAs.<sup>2</sup>

### What We Found

We found that California appropriately allocated 2018 and 2019 Restart program funds to LEAs and nonpublic schools. California based its allocations on LEAs' and nonpublic schools' Restart program applications and considered the impact of the covered disaster, the number of days that schools were closed, and the number of school-aged children enrolled in these LEAs and nonpublic schools.

Although we did not identify any unallowable costs at the two LEAs whose uses of Restart program funds we reviewed, we found that California needs to improve its

---

<sup>1</sup> No nonpublic schools applied for or received 2019 Restart funds.

<sup>2</sup> California was awarded \$14.9 million in 2018 Restart program funds and \$16.5 million in 2019 Restart program funds.

processes for ensuring that LEAs use Restart program funds for allowable and intended purposes. Specifically, California did not always adhere to its established procedures for reimbursement of expenditures for the 2018 Restart program, including not obtaining supporting documentation for \$103,124 in expenditures for two LEAs; did not timely monitor the Restart program; and did not ensure remittance of interest earned on Restart program funds that were advanced to LEAs.

### **What We Recommend**

We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education require California to (1) implement procedures to timely monitor expenditures for the Restart program at LEAs; (2) ensure its reimbursement processes, are implemented as designed when administering future disaster programs; (3) provide support for the unsupported expenditures identified for one LEA that received Restart program funds under reimbursement or return \$15,355;<sup>3</sup> (4) determine whether other LEAs that received Restart program funds under reimbursement provided supporting documentation for all requested funds, and if not, obtain and review documentation from the LEAs and return any funds that were not properly used or supported; and (5) review LEAs with unspent balances of Restart program funds and ensure that any interest earned over \$500 is remitted.

### **California Comments and Our Response**

We provided a draft of this report to California for comment. We summarized California's comments at the end of each finding and provided the full text of the comments at the end of the report.

#### **California Comments**

California expressed concerns regarding changes in key OIG staff during the audit. Specifically, California stated that it is concerned that some of the information it provided regarding its cash management procedures and oversight may not have been transferred, impairing the audit team's understanding of its system.

Also, California stated that the draft report was incorrect and contained errors regarding the remittance of interest earned by the LEAs. Additionally, California stated that the draft report did not give a full and accurate picture of all the resources that it provided

---

<sup>3</sup> As part of its response to the draft audit report, California provided documentation to support one of the two LEAs' unsupported expenditures. Therefore, we adjusted the amount of unsupported expenditures that we are recommending California return to the Department from \$103,124 to \$15,355.

to LEAs regarding the Federal administrative requirements for remitting interest earned on advances of Federal program funds.

Despite these concerns, California agreed with Finding 1 and partially agreed with Finding 2 and the related recommendations. Regarding Finding 2, California did not agree that it did not timely monitor the Restart program and did not ensure that interest earned on Restart program funds was remitted. California agreed with three of our five recommendations for Finding 2. Specifically, California agreed with Recommendations 2.2, 2.3, and 2.4 and identified some corrective actions. For Recommendation 2.3, California provided documentation with its response to the draft audit report to support the unsupported expenditures we identified during our audit. California did not agree with Recommendation 2.1, but nevertheless stated that it was conducting additional fiscal monitoring of Restart program funds outside of its Federal program monitoring process to ensure emergency funding is being used for allowable purposes. California also did not agree with Recommendation 2.5. California stated that it requires LEAs to report and remit any interest earned on unspent Federal advances in excess of \$500 at least annually, including interest earned on the Restart program funds, and will continue to require LEAs to report and remit interest earned and monitor cash management using its established risk-based approach.

### **OIG Response**

We acknowledge that there was a transition of one key staff member within 2 months of our audit entrance conference. However, this did not impact the audit team's understanding of California's cash management procedures and oversight. Information obtained during the course of the audit was maintained in our audit management software that was accessible to all members of the audit team and was not maintained by any individual staff members. In addition, the team worked with California staff after the staffing change to confirm the accuracy and completeness of information provided, including information supporting the cash management and monitoring issues identified in the report. The audit team collectively possessed the technical knowledge, skill, and experience to competently perform the work and individual staff members possessed the competence needed for their assigned roles.

In addition, we are confident that the information detailed in our report presents a full and accurate picture of the issues identified. We provided a response to California's assertions that some elements of our draft report were incorrect in the OIG Response section of Finding 2.

The actions that California proposed in response to Recommendations 2.1, 2.2, and 2.4 are responsive to the recommendations if properly designed and implemented. We reviewed the additional documentation submitted in response to Recommendation 2.3

and determined that it partially supported the \$103,124 in expenditures that we questioned; therefore, we revised Recommendation 2.3 with the updated information. California did not provide documentation to support that it timely monitored the Restart program and ensured that interest earned on Restart program funds was remitted timely. However, we made minor edits to the finding to clarify that the issues reported related specifically to the Restart program and LEAs we reviewed.

# Introduction

## Background

On December 30, 2005, the Hurricane Education Recovery Act (HERA) authorized the Immediate Aid to Restart School Operations (Restart) program along with two other grant programs<sup>4</sup> to assist schools that were affected directly or indirectly by Hurricanes Katrina and Rita with reopening quickly and meeting the educational needs of displaced students. Under section 102 of the HERA, the Restart program was designed to provide funds to local educational agencies (LEA) and schools directly impacted by the disasters to help them restart operations, reopen, and reenroll students.

## 2018 Restart Program

In 2017, several areas of the United States and its territories were devastated by major disasters, including the California wildfires and Hurricanes Harvey, Irma, and Maria. The extraordinary conditions resulting from these disasters had an unprecedented impact on students who attended schools in the declared disaster areas of Alabama, California, Florida, Louisiana, Puerto Rico, Texas, and the U.S. Virgin Islands. These disasters destroyed some schools and forced a significant number of other schools to close for a period of time.

On February 9, 2018, in response to the 2017 disasters, Congress authorized the Restart program in the Bipartisan Budget Act of 2018. The statute instructed the U.S. Department of Education (Department) to dispense aid for school year 2017–2018. This statute did not amend the HERA; rather, it provided that the statutory terms and conditions from the HERA were to be applied, with specified updates, for the California wildfires of 2017 and Hurricanes Harvey, Irma, and Maria. Congress appropriated a combined amount of about \$2.5 billion for both the Restart and Temporary Emergency Impact Aid for Displaced Students programs.<sup>5</sup>

The Department requested that State educational agencies (SEA) submit their applications for Restart program funds by March 30, 2018, but it did not establish a deadline for LEAs or nonpublic schools to apply to SEAs for Restart program funds. In its

---

<sup>4</sup> The HERA also authorized the Temporary Emergency Impact Aid for Displaced Students program and the Assistance for Homeless Youth program.

<sup>5</sup> The Temporary Emergency Impact Aid for Displaced Students program was designed to provide funds to LEAs that enrolled displaced students in their schools.

response to Question C-3 of the Department’s 2018 Frequently Asked Questions (FAQs) for the Restart program, the Department permitted SEAs to establish an appropriate deadline for their LEAs and nonpublic schools to apply for Restart program funds.

### **2019 Restart Program**

Again, in 2018 and 2019, several areas of the United States and its territories were devastated by major disasters, including Hurricanes Florence and Michael, Typhoon Mangkhut, Super Typhoon Yutu, wildfires, earthquakes, volcanic eruptions, tornadoes, and floods. On June 6, 2019, in response to these disasters, Congress approved the Additional Supplemental Appropriations for Disaster Relief Act of 2019, which provided additional aid of \$165 million to remain available through September 30, 2020, for assisting in the educational needs in conjunction with a covered disaster.

The Department requested that SEAs submit their application for Restart program funds by October 23, 2019. The Department did not establish a deadline for LEAs or nonpublic schools to apply for Restart funds to SEAs, but instead referred SEAs to the 2018 FAQs for guidance.<sup>6</sup>

### **Payments and Authorized Uses of the Restart Program Funds**

The Department awarded about \$791.1 million in 2018 Restart program funds to three States, Puerto Rico, and the U.S. Virgin Islands. On April 30, 2018, the Department awarded the California Department of Education (California) about \$14.4 million in 2018 Restart program funds and then on July 9, 2018, awarded California approximately \$543,000 in additional 2018 Restart program funds—a total award of over \$14.9 million. As of February 11, 2022, California had drawn down approximately \$7.1 million, or about 48 percent, of its total 2018 Restart program award. California received an extension through June 30, 2021, to use its 2018 Restart program funds.

The Department awarded about \$99.8 million in 2019 Restart program funds to six States and the Commonwealth of the Northern Mariana Islands. On December 19, 2019, the Department awarded over \$16.5 million to California in 2019 Restart program funds. As of February 14, 2022, California had drawn down approximately \$15.9 million, or about 96 percent, of its total 2019 Restart program award. California received an extension through December 16, 2022, to use its 2019 Restart program funds.

---

<sup>6</sup> The Department issued the 2019 FAQs for the Restart program on December 19, 2019.

California and its subgrantees were required to spend these funds within 24 months of the grant award date.<sup>7</sup> California informed LEAs and nonpublic schools through a Restart program introductory letter that for 2018 and 2019 Restart grants, they needed to provide an application of the requested amount and an explanation of how they planned to use the Restart program funds. In addition, the LEAs and nonpublic schools were required to sign assurances.<sup>8</sup>

According to section 102(e) of the HERA, Restart program funds may be used for (1) recovery of student and personnel data and other electronic information; (2) replacement of school district information systems, including hardware and software; (3) financial operations; (4) reasonable transportation costs; (5) rental of mobile educational units and the lease of neutral sites or spaces; (6) initial replacement of instructional materials and equipment, including textbooks; (7) redevelopment of instructional plans, including curriculum development; (8) initiation and maintenance of education and support services; and (9) other activities related to the purpose of the program. Recipients of Restart program funds may use the funds for pre-award costs, including the reimbursement of expenditures incurred before receiving the grant. For a cost to be considered allowable under the Restart program, the cost must support the restart of operations in, the reopening of, and the reenrollment of students in elementary and secondary schools that serve an area affected by a covered disaster or emergency.

### **California's Disbursement Processes**

For the 2018 Restart program, California used a reimbursement funding process to disburse funds to LEAs and nonpublic schools. California disbursed approximately \$6.9 million to 17 LEAs and 2 nonpublic schools from September 2018 to June 2020. Both the LEAs and nonpublic schools used the same reimbursement process. The notification letter that California sent to the LEAs advising them of the availability of the Restart program funds stated that to receive reimbursement for each allowable expenditure, the LEAs and nonpublic schools must complete and submit a Request for Reimbursements form for the expenditures. California required that each request not exceed five expenditures, and that LEAs or nonpublic schools include a signed cover

---

<sup>7</sup> Both the 2018 and 2019 Restart program grants were extended beyond the initial 24-month grant period.

<sup>8</sup> In accordance with the General Education Provisions Act Assurances and General Assurances, as discussed in further detail in Finding 1.

letter on their letterhead listing each expenditure and provide supporting documentation.

For the 2019 Restart program, California used an advanced funding process to disburse funds to LEAs. California disbursed approximately \$15.8 million to 17 LEAs in one payment on June 24, 2020, California was awarded funds on December 19, 2019. The 2019 Restart program funds were distributed to LEAs based on the LEAs' 2019 Restart program applications.

## **Finding 1. California Appropriately Allocated Restart Program Funds**

We found that California appropriately allocated Restart program funds in accordance with Federal requirements. To allocate the Restart program funds, California considered the number of school-aged children served by the LEA or nonpublic school during the school year prior to the year of the covered disaster or emergency, the severity of the impact of the covered disaster or emergency on the LEA or nonpublic school, and the extent of the needs of these LEAs and nonpublic schools. California awarded the Restart program funds to eligible LEAs and nonpublic schools based on their needs and proposed uses of the Restart program funds. California's process included requiring LEAs and nonpublic schools to submit applications for 2018 and 2019 Restart program funds. In the applications, LEAs and nonpublic schools indicated the impact of school closings from the major disaster and identified expenses under the Restart program. Based on those expenses submitted in the LEAs' Restart program applications, California applied for and was awarded over \$14.9 million in 2018 Restart program funds for 19 LEAs<sup>9</sup> and nonpublic schools and \$16.5 million in 2019 Restart program funds for 17 LEAs.<sup>10</sup>

We assessed the process California used to allocate Restart program funds and the LEAs' and nonpublic schools' applications for funds and found that California based the disbursement of Restart program funds on the severity of impact from the California wildfires on the LEAs and nonpublic schools and the extent of needs in the affected schools. To ensure that California's allocations were accurate and adequately supported, we compared the Restart program amount that the Department awarded to California and the amounts that California provided to eligible LEAs and nonpublic schools. We determined that these amounts were supported by the LEAs' Restart program applications and that California's allocations were adequately supported.

### **California's Process for Approving LEAs' and Nonpublic Schools' Restart Program Applications**

California had established policies and procedures for approving grant applications when it reviewed the LEAs' and nonpublic schools' applications for both 2018 and 2019 Restart program funds. California required all eligible LEAs and nonpublic schools to apply for Restart program funds. California published program guidelines for LEAs and

---

<sup>9</sup> California's Restart initial award was based on applications from 13 LEAs and nonpublic schools. California allowed eligible LEAs to apply for Restart program funds after it received its award.

<sup>10</sup> No nonpublic schools applied for or received 2019 Restart program funds.

nonpublic schools interested in applying for Restart program funds, which included a list of allowable activities and planned uses of funds that aligned with the Department's 2018 and 2019 FAQs for the Restart program. The LEAs' and nonpublic schools' applications identified the applicable allowable activities that the Restart program would fund based on the guidelines. California required the applicants to describe their need for Restart program funds, including a brief overview of the damages sustained as a result of the wildfires and the nature of expenses incurred for reopening schools. In addition, the applicants were required to prepare budget schedules that included the description of items, justification of need, and expenditure amount.

California also required the applicants to provide program assurances. Prior to receiving its allocation, each LEA and nonpublic school completed or provided certification that ensured equitable access and participation to disaster recovery funds and activities as required by the General Education Provisions Act. The LEAs and nonpublic schools also certified that they would use Restart program funds only for allowable purposes; supplement, and not supplant, Federal Emergency Management Agency or other State funds; and ensure that the purposes of the program (i.e., to assist with expenses related to the restart of operations in, the reopening of, and the reenrollment of students in elementary and secondary schools impacted by a covered disaster) were being met.

### **California Comments**

California agreed with our finding that it properly allocated Restart program funds and provided no additional comments.

## **Finding 2. California Needs to Improve its Processes for Ensuring that LEAs Use Restart Program Funds for Allowable and Intended Purposes**

We found that California needs to improve its processes for ensuring that LEAs use Restart program funds for allowable and intended purposes. Specifically, California did not always adhere to its established procedures for reimbursement of expenditures for the 2018 Restart program, including not obtaining supporting documentation for \$103,124 in expenditures for two LEAs; did not timely monitor the Restart program; and did not ensure remittance of interest earned on Restart program funds that were advanced to LEAs.

Despite these issues in California's oversight processes, we found that the two LEAs we reviewed, Goleta Union School District (Goleta) and Paradise United School District (Paradise), used their Restart program funds for allowable and intended purposes. At Goleta, we tested \$91,107 in expenditures through June 30, 2020, of the almost \$1.9 million in 2018 Restart grants awarded. We selected a stratified nonstatistical random sample of 20 employees and found that all 20 selected retention incentive pay expenditures were allowable and supported. At Paradise, we reviewed expenditures through August 31, 2021, totaling over \$601,000 of the \$7 million in 2019 Restart grants awarded. We tested 100 percent of non-payroll expenditures (33 total expenditures) and found the expenditures were allowable and supported.

### **California Did Not Always Follow Its Reimbursement Process for the 2018 Restart Program**

California did not always follow its established procedures for reimbursement of expenditures for the 2018 Restart program. Under these procedures, California's LEAs and nonpublic schools were to submit reimbursement requests including cover letters detailing each expenditure and documentation to support the expenditures prior to receiving 2018 Restart program funds. California did not adhere to its established reimbursement process for four of the five LEAs that we reviewed. Specifically, two LEAs received 2018 Restart funds without providing supporting documentation for all their expenditures and the other two LEAs were advanced 2018 Restart funds. We also found that California followed its established reimbursement process for the two nonpublic schools that received 2018 Restart funds.

### **California Disbursed 2018 Restart Program Funds to LEAs Without Supporting Documentation for All Expenditures**

California disbursed Restart program funds to LEAs that did not always provide supporting documentation for all requested expenditures as required under its established reimbursement process. Two of the five LEAs that we reviewed did not send receipts or other documentation for proof of expenditures to California but were still reimbursed by the State for these expenditures. One LEA received \$544,671 in 2018 Restart program funds from California. However, according to the documentation that California provided to us, the LEA did not include supporting documentation for \$15,355 in expenditures. In addition, another LEA received \$145,892 in 2018 Restart program funds from California. However, according to the documentation that California provided to us, the LEA did not include supporting documentation for \$87,769 in expenditures. Therefore, California did not always ensure that LEAs had supporting documentation for all expenditures charged to the Restart program prior to disbursement, resulting in \$103,124 in unsupported expenditures for these two LEAs.<sup>11</sup>

### **California Advanced 2018 Restart Program Funds to LEAs**

California advanced 2018 Restart program funds to two LEAs in contrast to its established procedures for reimbursement. Specifically, California advanced \$90,000 in 2018 Restart program funds to one LEA on September 26, 2019, before the LEA submitted reimbursement requests on February 3, 2020, totaling \$20,923 for expenses incurred from January through June 2018. California issued an accounts receivable demand letter to the LEA for the remaining \$69,077 on March 2, 2020, which was paid on March 11, 2020. In its Restart Final Performance Report, California stated that the \$69,077 repaid by the LEA was for a counselor position that it was unable to fill. In addition, California advanced over \$1.8 million in 2018 Restart program funds to another LEA on April 27, 2020, but the LEA did not use the funds until May and June 2020. The LEA used the Restart program funds for retention pay for employees who worked for the district during the 2017 California wildfires and subsequent mudslides. However, the retention payments were not reimbursements for expenses already incurred by the LEA but rather payments made to employees because the

---

<sup>11</sup>As part of its response to the draft audit report, California provided documentation to support one of the two LEAs' unsupported expenditures. Since California did not provide documentation to support that it reviewed the LEA's expenditures before it reimbursed the LEA, we did not revise our finding. However, we adjusted the amount of unsupported expenditures that we are recommending that California return to the Department to reflect the additional supporting documentation received.

Restart program funds became available. Therefore, both LEAs received Restart program funds for expenditures that they had not already incurred.

### **California Followed Its Reimbursement Process for Nonpublic Schools that Received 2018 Restart Program Funds**

We found that California had adequate processes for ensuring that nonpublic schools used Restart program funds for allowable and intended purposes. For the two nonpublic schools, we traced their Restart program applications to their expense reimbursements. For both nonpublic schools, California, in accordance with its established processes, reviewed the nonpublic schools' reimbursement requests and supporting documentation (to ensure that the requests were for only allowable expenses) before disbursing Restart program funds to the nonpublic schools. One nonpublic school used Restart program funds to reimburse \$214,821 in allowable expenses and the other nonpublic school used Restart program funds to reimburse \$85,923 in allowable expenses.

According to California's "Introductory Letter" to notify the LEAs and nonpublic schools of the Restart grant, to seek reimbursement for allowable expenditures included in the LEA's or nonpublic school's application to California, the Restart Expenditure Reimbursement Request Form and receipts or other documentation of proof of expenditure must be submitted.

Federal regulations require non-Federal entities to establish and maintain effective internal controls over the Federal award. These internal controls should comply with guidance in the Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book). According to Section 3 of the Green Book's Overview (Operating Effectiveness OV3.06), management determines operating effectiveness by determining if controls were applied, if they were applied consistently, and by whom or what means they were applied. A deficiency exists if properly designed controls were not operated as designed.

California not following its established process may be attributable, in part, to the high turnover in staff assigned to administer the Restart program. California had five Restart program directors over a 3-year period. As a result, California lacks assurance that Restart program expenditures were for allowable and intended purposes and that LEAs complied with Federal requirements. As noted, two LEAs we reviewed received reimbursements totaling \$103,124 without having provided support for these expenditures.

## California Did Not Timely Monitor the Restart Program

California did not timely monitor LEAs to provide reasonable assurance that Restart program funds were expended for allowable purposes. On April 30, 2018, the Department awarded California 2018 Restart program funds. California started disbursing these funds to LEAs on September 27, 2018, and continued to do so through June 24, 2020, but did not monitor any LEAs until May 2021. On December 19, 2019, the Department awarded California 2019 Restart program funds. California disbursed all of these funds to LEAs in a one-time payment on June 24, 2020, but did not plan to monitor any LEAs until at least September 2021. For the 2018 Restart program, California had three ways it would monitor LEAs to ensure that funds were expended for allowable purposes: reimbursement requests (discussed in previous section), scheduled monitoring (online or onsite), and the grant closeout process. For the 2019 Restart program, California had two ways it would monitor LEAs to ensure that funds were expended for allowable purposes: scheduled monitoring and the grant closeout process. We found that California did not timely monitor its LEAs because its monitoring risk assessment did not take into consideration emergency funding, such as the Restart program, that might require an LEA to be monitored off-cycle.

California uses a yearly risk assessment to select LEAs for scheduled monitoring. California performed its yearly risk assessment for all Federal programs, which included a review of program size, fiscal analysis, compliance history,<sup>12</sup> and continuous improvement. All LEAs were assigned to one of four groups or cohorts. Each school year, two cohorts were selected for review, one onsite and one online, and a risk assessment was performed within that cohort to identify the LEAs that would be selected for monitoring. California's website shows a Cohort Rotation Schedule by school year that identifies the rotation of the cohorts over a 4-year cycle. Each school year, approximately 132 LEAs were selected for monitoring review. While California followed a risk-based monitoring approach, it was not modified to account for the additional risks associated with the emergency funds

In January 2020, in its annual Restart program performance report, California indicated that it was in the process of implementing its agency-wide monitoring and internal control plan for the 2018 Restart program in coordination with fiscal monitoring and Federal program monitoring experts within California. Therefore, even though California started disbursing Restart program funds in 2018, it did not plan to monitor any LEAs

---

<sup>12</sup> California considered the results and frequency of its previous monitoring reviews, Federal compliance reviews, and Federal and State audits.

that received such funds until the 2020–2021 monitoring cycle, and it monitored just one LEA that year, on May 24, 2021. The Department’s Disaster Recovery Unit’s Monitoring Report, dated March 5, 2021, found that California’s monitoring of its 2018 Restart program subrecipient awards was insufficient to ensure compliance with program requirements. For the 2021–2022 monitoring cycle,<sup>13</sup> California planned to monitor five LEAs that received 2018 Restart program funds and six LEAs that received 2019 Restart program funds. These 11 LEAs were not selected for monitoring using California’s risk assessment; rather, they were scheduled for review because they received Restart program funds and in consideration of their Restart funding levels and compliance histories. We reviewed California’s monitoring protocol and its monitoring and internal control plan for the 2018 Restart program and found that it is sufficient to identify potential unallowed expenses if properly implemented.

Finally, as part of its oversight of Federal grants, California receives a Final Performance Report from the LEAs. Because California did not timely monitor its LEAs as part of its scheduled, risk-based monitoring process, the Final Performance Report was an opportunity for it to ensure that Restart program funds were expended for allowable purposes. However, the Final Performance report contained only summary expenditure information with a single line-item expenditure total; the report did not include expenditure details such as the amounts spent on personnel, materials, and supplies—information that California would have obtained if it had implemented its Restart program monitoring protocols.

According to 2 Code of Federal Regulations (C.F.R.) section 200.303(c), the non-Federal entity must “[e]valuate and monitor the non-Federal entity’s compliance with statutes, regulations and the terms and conditions of Federal awards.”

Further, 2 C.F.R. section 200.329(a) states that the non-Federal entity is responsible for oversight of the operations of the Federal award supported activities and must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and that performance expectations are being achieved.

California’s issues with monitoring timeliness occurred because California’s monitoring risk assessment did not take into consideration emergency funding, such as the Restart program, that might require an LEA to be monitored off-cycle. There is also an increased risk concerning uses of funds by other LEAs, particularly those that received advanced funding, because California had not conducted timely monitoring reviews and did not

---

<sup>13</sup> The 2021–2022 monitoring cycle began in September 2021 and ends in June 2022.

collect sufficient information on expenditures in LEAs' Final Performance Reports to rely on these reports alone for monitoring purposes.

### **California Did Not Ensure that LEAs Remitted Interest Earned on Advanced Restart Program Funds**

For the 2019 Restart program, California used an advanced funding process to disburse approximately \$15.8 million to 17 LEAs. California was awarded Restart program funds in December 2019 and made a one-time payment to the LEAs on June 24, 2020. However, it did not ensure that LEAs remitted interest earned on Restart program funds.

During our review of the 2019 Restart program, we found that Paradise received over \$7 million in June 2020, which was deposited in an interest-earning account with the Butte County Treasury. As of August 31, 2021, Paradise had expended over \$601,000 of its \$7 million Restart program funds. According to California's cash management guidelines, LEAs can only retain \$500 per year in interest earned on Federal funds and should, at least quarterly, calculate the amount of interest earned on Federal funds and report and remit the interest to California. However, at the time of our fieldwork at Paradise, it had not calculated nor remitted the interest earned on about \$6.4 million in unused Restart program funds. We first brought this issue to Paradise's attention in July 2021. In January 2022, Paradise paid \$97,477 in interest earned on Federal funds to California. According to Paradise's assistant superintendent of business services, the interest earned on Restart program funds comprised almost all this amount.

California provided guidance for the LEAs and nonpublic schools on interest earned for Federal grant funds and the quarterly remittance requirement. California's website detailed the requirements for calculating, reporting, and remitting interest on Federal advances. On the website, the "Interest Earned on Federal Funds" letter is addressed to the County and District Superintendents, County and District Chief Business Officials, and Charter School Administrators. California posted a new letter each year from 2017 to 2019, and again in 2021; it did not post a letter in 2020. California offered training to LEAs on the monitoring process, which included the cash management requirements, in August and January of each school year. California's monitoring instrument (checklist of monitoring requirements) includes cash management steps and is available to LEAs on the website. However, California did not know if an LEA remitted interest earned for the Restart program unless the LEA was selected for a monitoring review, as discussed in the section above.

According to 2 C.F.R. section 200.305(b)(9), up to \$500 per year of earned interest may be retained by the non-Federal entity for administrative expenses and any additional

interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually.

According to California's 2018 Funding Handbook, grant recipients were required to report amounts of interest exceeding \$500 for Federal grant funds and remit these funds to the California Accounting Office.

California's cash management issues occurred because it did not monitor or ensure that Paradise remitted interest earned on Federal funds quarterly, as required. In addition, California had a position for an official who was responsible for ensuring that LEAs remitted interest, however, the position has been vacant for 2 years. California stated that staff have been filling in for the vacant position on a rotational basis. As a result, there is an increased risk that LEAs may view the interest earned as an additional source of revenue, thereby increasing the risk that Federal program funds could be misused. Further, since California's 2019 Restart grant has been extended to December 16, 2022, LEAs may keep unexpended Restart program funds in their accounts longer and possibly accumulate more interest.

### **California's Administration of the Restart Program Put Funds at Risk**

Because of the issues we identified, California has limited assurance that Restart program funds were used in accordance with requirements. Specifically, because California did not follow its established reimbursement procedures for four of the five LEAs we reviewed, it is likely that California did not follow its established procedures for some of the 12 other LEAs that received \$3.4 million in 2018 Restart program funds, thereby increasing the risk that Restart program funds were not always used for allowable and intended purposes. Our audit found \$103,124 in unsupported expenditures for two of the four LEAs.

Additionally, there is an increased risk concerning uses of funds by other LEAs, particularly the 17 LEAs that received \$15.8 million in advance funding under the 2019 Restart program, because California had not conducted timely monitoring reviews and would not collect sufficient information on expenditures in LEAs' Final Performance Reports such that it could rely on these reports alone for monitoring purposes.

Finally, by not ensuring LEAs remitted interest earned on Restart program funds, there is an increased risk LEAs may view the interest earned as an additional source of revenue, particularly those who received advanced funding. Further, since California's 2019 Restart grant has been extended to December 16, 2022, LEAs may keep unexpended Restart program funds in their accounts longer and possibly accumulate

more interest, thus increasing the risk that interest earned on Federal program funds could be misused.

## Recommendations

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

- 2.1 Implement procedures to timely monitor expenditures for the Restart program at LEAs to ensure expenditures were for allowable and intended purposes.
- 2.2 Ensure its reimbursement process is implemented as designed when administering future disaster program grants.
- 2.3 Provide support for the unsupported expenditures for the one LEA or return \$15,355 in Restart program funds.
- 2.4 Determine whether other LEAs that received Restart program funds under reimbursement provided supporting documentation for all requested funds. For all of the LEAs that submitted reimbursement requests, review the support to determine whether they provided documentation for the expenditures and, if not, obtain and review documentation from the LEAs and return any funds that were not properly used or supported.
- 2.5 Review the LEAs with unspent balances of Restart program funds and ensure that any interest earned over \$500 is remitted.

## California Comments

California partially agreed with the finding and agreed with three of the five recommendations. California disagreed that it did not timely monitor the Restart program. Regarding Recommendation 2.1, California stated that it has a Federal program monitoring process in place, which includes a fiscal review to ensure that expenditures were for allowable and intended purposes. However, California also stated that it is conducting additional fiscal monitoring of Restart program funds outside of its Federal program monitoring process to ensure emergency funding is being used for allowable purposes.

California did not agree with Recommendation 2.5. California stated that it requires LEAs to report and remit any interest earned on unspent Federal advances in excess of \$500 at least annually, including interest earned on Restart program funds. California stated that it will continue to require LEAs to report and remit interest earned and will monitor cash management using its established risk-based approach.

Also, California stated that the draft report was incorrect and contained errors regarding its monitoring of LEAs to ensure that they remit interest earned on advances of Federal program funds. California stated that the draft report incorrectly stated that it did not ensure that Paradise returned interest earned on Restart program funds until after OIG brought the issue to its attention. California also stated that the draft report did not give a full and accurate picture of all the resources that it provided to LEAs regarding the Federal administrative requirements for remitting interest earned on advances of Federal program funds. Further, California maintained that OIG mistakenly stated that California does not know if an LEA remitted interest earned unless the LEA was selected for a monitoring review. California stated that this misstates its actual practice, which includes a quarterly review of LEA cash balances on applicable Federal programs prior to advancing subsequent apportionments. California also stated that it performs a review of LEA interest calculations on all Federal advances, including Restart program funds.

California agreed with Recommendations 2.2, 2.3, and 2.4. Regarding Recommendation 2.2, California stated that it will strive to ensure the reimbursement process is followed for any future Federal grants it receives. For Recommendation 2.3, California stated that it received and reviewed supporting documentation for the expenditures of the two LEAs and determined that the funding was appropriately used. California stated that it would provide supporting documentation to demonstrate full implementation of the recommendation. For Recommendation 2.4, California stated that its staff completed a review of the supporting documentation for LEAs in the 2018 Restart Program that requested reimbursement and determined that sufficient documentation was provided to support all expenditures; no funds were identified for return. Regarding the 2019 Restart Program, LEAs did not receive funding through a reimbursement process; however, California stated that it will complete an appropriate review of expenditures according to its established procedures.

### **OIG Response**

We modified a sentence in the finding that referred to Paradise's remittance of interest earned on Restart program funds after we brought the issue to its attention to clarify that we were referring to Paradise, not California, and we added a sentence noting when we first brought the issue to Paradise's attention. Although California provides training and guidance for requirements related to calculating, reporting, and remitting interest earned on Federal funds advanced to the LEAs on a quarterly basis, training and guidance alone were not sufficient to ensure that the LEAs that we reviewed during our audit remitted interest earned on Restart program funds.

We disagree with California's assertions that the OIG was mistaken when stating that California did not know if an LEA remitted interest unless the LEA was selected for a monitoring review, and also misstated California's practice of reviewing LEA cash

balances on a quarterly basis prior to advancing subsequent apportionments. California disbursed the 2018 and 2019 Restart program funds using reimbursement and advance payment processes, respectively. Restart program funds were not dispersed in apportionments and, therefore, would not have been subject to California's quarterly review practice.

California disagreed with the statement in the draft report that it did not monitor or ensure that the grant recipients remitted interest earned on Federal funds quarterly. However, for the LEAs that received advanced Restart program funds, such as Paradise, California did not monitor or ensure that interest earned was remitted quarterly, as required under its cash management guidelines. Further, California acknowledged in its response that while LEAs report on cash balances quarterly, its cash management system requires LEAs to remit interest annually. We initially discussed with Paradise the cash management requirements related to remitting interest earned in July 2021; as of November 10, 2021, Paradise still had not calculated the interest earned on the Restart program funds that it received in June 2020. If California had monitored Paradise and ensured that interest earned was remitted, Paradise would have remitted interest earned on its Restart program funds prior to January 2022, the date it made payment to California. We made minor edits to the finding to clarify that interest earned was not remitted on advanced Restart program funds for one of the LEAs we reviewed during our audit.

For the reasons noted above, California's response to Recommendation 2.5 is not responsive to our recommendation. California did not provide documentation to support that it conducted quarterly reviews of the advanced Restart program funds. Therefore, we did not revise the recommendation.

Although it disagreed with Recommendation 2.1, California's proposed actions, if implemented properly, are responsive to our recommendation. Further, if properly designed and implemented, California's proposed actions for Recommendations 2.2 and 2.4 are responsive to our recommendations. Regarding Recommendation 2.3, although the documentation California provided did not support that it reviewed the LEAs' expenditures before reimbursing them, we accepted some of the supporting documentation provided for the LEAs' unsupported expenditures and revised the recommendation accordingly.

## Appendix A. Scope and Methodology

We assessed California's processes used to allocate Restart program funds to LEAs and nonpublic schools to determine whether they provided reasonable assurance that Restart program funds were allocated appropriately, and that LEAs and nonpublic schools used Restart program funds for allowable and intended purposes. Our review covered the 2018 and 2019 Restart program funds expended from April 30, 2018, through August 31, 2021.

To achieve our audit objectives, we gained an understanding of the Federal laws, regulations, and guidance relevant to our audit objectives, including the HERA; the Bipartisan Budget Act of 2018; the Additional Supplemental Appropriations for Disaster Relief Act of 2019; Cost Principles at 2 C.F.R. Part 200, Subpart E; and the Department's 2018 and 2019 FAQs for the Restart program. We also performed the following procedures for California and the selected LEAs and nonpublic schools to achieve our audit objectives.

For California, we performed the following procedures:

- interviewed California officials responsible for administering the Restart program to gain an understanding of the internal controls for how Restart program funds were allocated, awarded, and spent;
- evaluated California's written policies and procedures for how California allocated, awarded, and spent Restart program funds;
- reviewed California's written policies and procedures to gain an understanding of its established systems of internal control for ensuring that Restart program funds were used for allowable and intended purposes;
- reviewed the organizational charts for California's Operations and Administration Branch and School Facilities and Transportation Services Division office to determine whether California had an organizational structure and process for administering the Restart program;
- reviewed the State of California's Single Audit report for 2018 and 2019;
- reviewed approved Restart applications for California and selected LEAs and nonpublic schools; and
- reviewed California's allocation process to determine whether the allocations to LEAs were appropriately allocated.

For the two LEAs selected for review to determine if the LEAs expended funds for allowable and intended purposes, we performed the following procedures:

- interviewed officials at the LEAs to obtain an understanding of how they spent Restart program funds,
- reviewed the LEAs' single audit reports for 2019 and 2020,
- conducted testing of samples of expenditures at the LEAs to determine the allowability of the expenditures for the Restart program (see "Sampling Methodology"), and
- reviewed written policies and procedures at the LEAs related to the expenditures each LEA charged to their grants.

For the five LEAs and two nonpublic schools that received 2018 Restart program funds, we reviewed expenditure documentation provided to California to determine if the reimbursement process was implemented as designed.<sup>14</sup>

## Sampling Methodology

### LEA and Nonpublic School Selections

To determine whether the LEAs and nonpublic schools used Restart program funds for allowable and intended purposes under the terms of the grant and applicable laws and regulations, we judgmentally selected 2 of 36 LEAs and nonpublic schools that received Restart program funds based on a risk analysis. Risk factors included LEAs that spent their Restart funds in a different manner than the budget information sent to California, as well as the amount of Restart funds that LEAs received. We selected one LEA that used 2018 Restart program funds and one LEA that used 2019 Restart program funds. We selected Goleta because it received the most Restart program funds in 2018 and we selected Paradise because of expenses identified in its Restart program application and it also received the most Restart program funds in 2019.

---

<sup>14</sup> One of the two LEAs (Goleta) selected for review to determine if the LEAs expended funds for allowable purposes was also included in one of the five LEAs we reviewed to determine if the 2018 reimbursement process was implemented as designed.

**Table 1. Selected LEAs for Review of Expenditures**

Selected LEAs	Amount Awarded	Amount Expended
Paradise United School District	\$7,048,260	\$601,390 <sup>15</sup>
Goleta Union School District	\$1,854,252	\$1,854,252 <sup>16</sup>

To gain an understanding of California’s reimbursement process for the 2018 Restart Program, we judgmentally reviewed its activities for 7 of the 19 subgrantees. This included five LEAs and two nonpublic schools that were collectively awarded almost \$3.6 million and had expended more than \$3.3 million as of June 30, 2020. Our work in this area was limited to the review of documentation provided by California to determine whether it followed its planned reimbursement procedures and did not include work at all of the seven subgrantees.

### **Expenditure Testing**

We conducted testing on two subgroups for separate reasons: 2018 subrecipients of Restart program funds, to assess the 2018 reimbursement process; and 2018 and 2019 subrecipient of Restart program funds, to conduct expenditure testing to determine if LEAs used Restart program funds for allowable and intended purposes.

At the seven subrecipients we selected (five LEAs and two nonpublic schools), to assess California’s 2018 reimbursement process, (see the section “LEA and Nonpublic School Selections”), we reviewed the documentation for all reimbursement requests that had been submitted for the 2018 Restart program.

At the two LEAs selected (see the section “LEA and Nonpublic School Selections”), to determine if Restart program funds were used for allowable and intended purposes, we reviewed or sampled expenditures. Because each LEA spent funds differently, the unit of selection varied.

Paradise received over \$7 million, of which only over \$601,000 was spent at the time of our review. We reviewed 33 expenditures or 100 percent of the expenditures charged to the 2019 Restart program.

---

<sup>15</sup> Paradise United School District expended Restart program funds as of August 31, 2021.

<sup>16</sup> Goleta Union School District expended Restart program funds as of June 30, 2020.

For Goleta, we sampled retention bonus expenditures. We obtained a list of 353 Goleta employees who received Restart program retention incentive pay. We conducted a nonstatistical random sample of 20 employees out of the 353 employees who received retention incentive pay. To conduct our sampling, we determined whether each employee in our sample had been employed by the LEA prior to January 2, 2018, and whether the retention incentive payment amount was correct. Because we judgmentally selected the LEAs, results described in this report pertain to LEAs we reviewed and cannot be projected to LEAs that we did not visit.

### **Internal Controls**

We gained an understanding of California’s internal controls over the allocation and, reimbursement of the LEAs’ use of Restart program funds. We determined that California did have internal controls in place to reimburse LEAs and nonpublic schools for 2018 Restart program expenditures, but the controls were not always followed as designed. (See Finding 2) We also determined that California did not timely monitor the LEAs to provide reasonable assurance that Restart program funds were used for allowable and intended purposes; and did not ensure that LEAs remitted interest earned on federal funds. (See Finding 2)

### **Use of Computer-Processed Data**

We relied in part on computer-processed data from a selected LEA’s financial management system, which consisted of a list of expenditures charged to the Restart grants (Paradise). We verified completeness of the data by reconciling the total amount of the expenditures with the remaining balance of Restart program funds. We then tested the identified expenditure against invoices and purchase orders retained at the LEA allowability and accuracy. We also relied on a selected LEA’s payroll system, which consisted of employees that received Restart program funds (Goleta) and the related pay history. We verified completeness of the data by comparing the total amount of payroll expenditure charged to the Restart program to the amount California disbursed to the LEA. We also sampled the payments charged to the Restart program for allowability and accuracy. We determined the computer-processed data we obtained was sufficiently reliable for the objectives of our audit.

We also relied on computer-processed data obtained from the Department’s Grants Management system. We used the Grants Management system information to identify the amounts of Restart program funds that California had drawn down. The Grants Management system is the system of record for the Department’s grant data. As a result, we considered it to be the best available data for the purpose of our audit.

Due to the coronavirus pandemic, we conducted our audit virtually from April 2021 through February 2022 with staff at California’s offices in Sacramento, California; Paradise’s offices in Paradise, California; and Goleta’s offices in Goleta, California. We held an exit conference and discussed the results of our audit with California officials on February 17, 2022.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## Appendix B. Acronyms and Abbreviations

California	California Department of Education
C.F.R.	Code of Federal Regulations
Department	U.S. Department of Education
FAQs	Frequently Asked Questions
Goleta	Goleta Union School District
Green Book	<i>Government Accountability Office's Standards for Internal Control in the Federal Government</i>
HERA	Hurricane Education Recovery Act
LEA	local educational agencies
Paradise	Paradise United School District
Restart	Immediate Aid to Restart School Operations
SEA	State educational agencies

## Appendix C. California's Comments



### CALIFORNIA DEPARTMENT OF EDUCATION

TONY THURMOND  
STATE SUPERINTENDENT OF  
PUBLIC INSTRUCTION

1430 N STREET, SACRAMENTO, CA 95814-5901 • 916-319-0800 • WWW.CDE.CA.GOV

May 20, 2022

Ms. Myra Hamilton  
Regional Inspector General for Audit  
U.S. Department of Education  
Office of Inspector General  
400 Maryland Avenue, S.W.  
Washington, DC 20202-1510

Dear Ms. Hamilton:

Subject: Draft Audit Report titled, *California Department of Education's Administration of the Immediate Aid to Restart School Operations Program*, Control Number ED-OIG/A19NY0025

The California Department of Education (California) appreciates the opportunity to comment and provide proposed corrective actions for the recommendations outlined in the United States Department of Education, Office of Inspector General's (OIG) draft audit report.

#### General Overall Comments

To provide better perspective to the OIG's audit report, California has the following comments.

Due to staffing transitions within the OIG, California has worked with several different auditors throughout the course of this review. Because of the changes in key staff, California is concerned that some of the information the agency provided regarding its cash management procedures and oversight may not have been transferred, impairing the current reviewers' understanding of its system. Generally, Restart funding is one of many federal funding sources that Local Education Agencies (LEAs) may receive through California. California has made it very clear through training, instructions on its web site, letters to LEAs on cash management and interest requirements, and federal program monitoring reviews, that LEAs are required to remit interest earned on federal advances if the interest amount exceeds \$500 in any given fiscal year. Additionally, LEAs are required to establish and implement written procedures for cash management, including remitting interest earned on any federal advances. California monitors these requirements both through its formal monitoring system, as well as through the quarterly reporting that LEAs submit on their cash balances.

Ms. Myra Hamilton  
Regional Inspector General for Audit  
May 20, 2022  
Page 2

California also has concerns regarding the OIG's presentation of facts for Finding No. 2, which as presented, does not give a full and accurate picture of all the resources provided to LEAs regarding the federal administrative requirement for remitting interest earned on advances of federal program funds.

Specifically, the Draft Audit Report incorrectly states that California did not ensure Paradise returned interest earned on Restart funds until "after [the OIG] brought the issue to [California's] attention." California began working with Paradise Unified School District in July 2021, where staff identified an issue with the LEA's interest earned on all of the federal fund advances it received, including Restart funds, and provided guidance, technical assistance, and support to the LEA to correctly calculate and remit the amount due. The draft report also erroneously states that California does not "know if an LEA remitted interest earned unless the LEA was selected for a monitoring review." Again, this misstates California's actual practice, which includes a quarterly review of LEA cash balances on applicable federal programs prior to advancing subsequent apportionments. In addition to the quarterly cash balance reviews, California also performs a review of LEA interest calculations on all federal advances, including Restart funds. Through these two processes (both in addition to the fiscal program monitoring process), California is able to identify LEAs with excess cash balances and work with them on calculating and remitting interest, exactly as it did with Paradise Unified.

The draft errs again with the statement that "California did not monitor or ensure that the grant recipients remitted interest earned on Federal funds quarterly, as required." First, while LEAs report on cash balances quarterly, California's cash management system follows the federal requirement which requires LEAs to remit interest annually, 2 *CFR* 200.305(b)(9). Second, California did monitor LEA cash balances, and related interest calculations, both informally and through its risk-based monitoring process.

California provides the following responses to each finding and recommendation below.

**FINDING NO. 1 – California Appropriately Allocated Restart Program Funds**

**California's Response**

Concur. California appropriately allocated Restart funds.

Ms. Myra Hamilton  
Regional Inspector General for Audit  
May 20, 2022  
Page 3

**FINDING NO. 2 – California Needs to Improve its Processes for Ensuring that LEAs Use Restart Program Funds for Allowable and Intended Purposes**

**California's Response**

Partially concur. To support our status, California provided comments regarding the presentation of information under the "Overall General Comments" above and also responds to the specific recommendations below.

**Recommendation 2.1**

Implement procedures to timely monitor expenditures for the Restart program at LEAs to ensure expenditures were for allowable and intended purposes.

**California's Response**

Do not concur. California has a federal program monitoring process in place, which includes a fiscal review to ensure expenditures were used for allowable and intended purposes. Monitoring reviews are completed in four cycles and are selected using a program instrument to identify the highest-risk LEAs for review. This process has been successfully used for many years. Additionally, as noted in the OIG's report, California is currently conducting additional fiscal monitoring of Restart funds outside of the federal program monitoring process to ensure emergency funding is being used for allowable purposes.

Furthermore, the Restart funding was in response to disasters that occurred and California was tasked with implementing a process to disperse the funding as expeditiously as possible to ensure LEAs had sufficient time to address their needs during the period of availability. The funding is specific to disaster response and recovery, which is not necessarily ongoing; creating a new process for monitoring these funds with no additional staff being provided was not feasible. The OIG auditors did not specifically identify any misuse of funds requiring remittance; therefore, California has determined that the current monitoring process is sufficient to ensure that Restart funds are being used for allowable expenses. California will continue to utilize its risk-based approach to identify LEAs for monitoring in accordance with federal regulations.

Ms. Myra Hamilton  
Regional Inspector General for Audit  
May 20, 2022  
Page 4

**Recommendation 2.2**

Ensure its reimbursement process is implemented as designed when administering future disaster program grants.

**California's Response**

Concur. California will strive to ensure the reimbursement process is followed for any future federal grants it receives.

**Recommendation 2.3**

Provide support for the unsupported expenditures for the two LEAs or return \$103,124 in Restart program funds.

**California's Response**

Concur. California received and reviewed supporting documentation for the expenditures of the two LEAs and has determined that the funding was appropriately used. The supporting documentation will be provided to the OIG auditors to demonstrate full implementation of the recommendation.

**Recommendation 2.4**

Determine whether other LEAs that received Restart program funds under reimbursement provided supporting documentation for all requested funds. For all of the LEAs that submitted reimbursement requests, review the support to determine whether they provided documentation for the expenditures and, if not, obtain and review documentation from the LEAs and return any funds that were not properly used or supported.

**California's Response**

Concur. California staff completed a review of the supporting documentation for LEAs in the 2018 Restart Program that requested reimbursement and determined that sufficient documentation was provided to support all expenditures; no funds were identified for return.

For the 2019 Restart Program, LEAs did not receive funding through a reimbursement process; however, appropriate review of expenditures will be completed according to the established procedures.

**Recommendation 2.5**

Review the LEAs with unspent balances of Restart program funds and ensure that any interest earned over \$500 is remitted.

Ms. Myra Hamilton  
Regional Inspector General for Audit  
May 20, 2022  
Page 5

**California's Response**

Do not concur. California currently requires LEAs to report and remit any interest earned on unspent federal advances in excess of \$500 at least annually, including interest earned on the Restart funds. California will continue to require LEAs to report and remit interest earned, and monitor cash management using its established risk-based approach.

If you have any questions regarding California's comments, please contact Alice Lee, Director, Audits and Investigations Division, by phone at 916-323-1547 or by email at [ALee@cde.ca.gov](mailto:ALee@cde.ca.gov).

Sincerely,



Mary Nicely  
Chief Deputy Superintendent of Public Instruction

MN:kl