



CARES ACT GEER Funds Targeted Monitoring Report: Montana Governor's Office of Budget & Program Planning

U.S. Department of Education
Office of Elementary and Secondary Education
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Table of Contents

GENERAL INFORMATION 3

SECTION I 5

 OVERVIEW OF THE MONTANA GOVERNOR’S OFFICE OF BUDGET & PROGRAM PLANNING (OBPP) TARGETED MONITORING REVIEW 5

 SUMMARY OF OESE SELECTION OF OBPP AND SUBRECIPIENTS 6

SECTION II 7

 SUMMARY STATUS OF CARES ACT IMPLEMENTATION 7

SECTION III 8

 CASH MANAGEMENT AND PAYMENT SYSTEMS 8

 Action Required 8

SECTION IV 12

 ACCOUNTING SYSTEMS AND FISCAL MANAGEMENT 12

 Met Requirements 12

SECTION V 14

 INTERNAL CONTROLS 14

 Met Requirements with Recommendations 14

GENERAL INFORMATION

OVERVIEW OF THE CARES ACT TARGETED MONITORING

The Office of Elementary and Secondary Education (OESE) is committed to supporting States as they implement Federal grant programs. Part of this commitment includes monitoring reviews designed to not only address OESE's responsibilities for fiscal and programmatic oversight, but to also identify areas in which States may need assistance and support.

Specifically, OESE created a proactive monitoring review process as a result of passage of the Coronavirus Aid, Relief and Economic Security (CARES) Act. Ideally, the targeted monitoring review process should result in improved and strengthened partnerships between the United States Department of Education (the Department) and States and encourages States to develop and implement fiscal systems that align with Federal requirements.

The primary goal of this new targeted review is to ensure the funds received under the CARES Act are handled by States in a manner consistent with the fiscal, administrative, and select program requirements contained in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the Education Department General Administrative Requirements (EDGAR), Office of Management and Budget (OMB) Memorandum 20-20 (OMB M-20-20), and the Cash Management Improvement Act (CMIA). To accomplish this, OESE's CARES Act targeted monitoring review process focuses on the Governor's Emergency Education Relief (GEER) and the Elementary and Secondary School Emergency Relief (ESSER) funds as well as on areas that reflect fiscal requirements for States and prioritizes the Department's monitoring of areas known to be historically challenging based on the Department's oversight of American Recovery and Reinvestment Act funds.¹

OESE's CARES Act targeted monitoring review process comprises of a self-assessment questionnaire and a virtual desk review. This review is purposely narrower than the Department's Consolidated Monitoring Review² and addresses fewer areas specifically related to fiscal responsibility. It is also different than the program specific monitoring. Additionally, OESE includes subrecipients in the review as a matter of due diligence to learn how State agencies that receive CARES Act funds plan to monitor subrecipient expenditures and ensure CARES Act funds are used for allowable purposes.

Navigating the Targeted Monitoring Report

This report contains five sections. Section I contains a snapshot of OESE's monitoring process. Section II is a summary of the State's performance for each section included in the review.

¹ Lessons from Implementing the American Recovery and Reinvestment Act of 2009 Final Management Information Report: <https://www2.ed.gov/about/offices/list/oig/auditreports/fy2014/x09m0002.pdf>

² <https://oese.ed.gov/offices/office-of-formula-grants/school-support-and-accountability/performance-review/>

For each indicator, the Department assigns one of four ratings:

- “Met requirements with commendation” represents high-quality implementation where the grantee is exceeding expectations;
- “Met requirements” indicates that no instances of noncompliance were identified;
- “Met requirements with recommendations” indicates there are quality implementation concerns and some improvements could be made to ensure the grantee continues to meet expectations; and
- “Action required” indicates there are significant compliance or quality concerns that require urgent attention by the reviewed entity and will be revisited until the issue is addressed.

The remaining sections discuss each of the subject areas that were included in the review.

Section III corresponds with Cash Management and Payment Systems

Section IV corresponds with Accounting Systems and Fiscal Management

Section V corresponds with Internal Controls

Overview of the Montana Governor’s Office of Budget & Program Planning



CARES ACT GEER FUND DISTRIBUTION

\$

FEDERAL FUNDING³

CARES ACT	
GEER Award	\$ 8,764,495
Drawdowns as of 9/2/20	\$ 8,070,000
Percent of Drawdown	92%

Key Dates of Review

CARES ACT Monitoring Notification: September 29, 2020
 Self-Assessment and Document Request: October 6, 2020
 Initial Call: October 16, 2020
 Subrecipient Monitoring Selection: October 28, 2020
 Subrecipient Initial Call: November 6, 2020
 Virtual Desk Review: December 18, 2020
 Subrecipient Desk Reviews: December 17, 18 and 21, 2020

ED Reviewers

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Subrecipients Participating in the Desk Review

Carroll College
 Montana Digital Academy
 Office of Commissioner of Higher Education, Montana

³ <https://oese.ed.gov/offices/Education-Stabilization-Fund/>

Summary of OESE Selection of OBPP and Subrecipients

On Friday, March 27, 2020, President Trump signed the CARES Act, which is a \$2 trillion package of assistance measures, including \$30.75 billion for an Education Stabilization Fund. Four grant programs were created through the CARES Act: Education Stabilization Fund Discretionary Grants; Governor's Emergency Education Relief Fund (GEER); Elementary and Secondary School Emergency Relief Fund (ESSER); and Higher Education Emergency Relief Fund. After the Department completed awarding the CARES Act funds, six states, including Montana immediately withdrew over 90 percent of their available GEER balance from Department's grants management system (G5). The immediate drawdown of CARES Act funding triggered similar concerns as those identified within the Inspector General's reports related to Recovery Act funds.⁴ As such, OESE began developing a targeted monitoring review process for CARES Act funding. This review was designed to specifically monitor GEER and ESSER grants to ensure proper oversight and provide States with technical assistance.

The Montana's Governor's Office of Budget & Program Planning (OBPP) was one of the seven entities that triggered a targeted monitoring review by immediately drawing down 90 percent of its allocation of GEER funds. Montana was monitored only for OBPP's management of GEER funds. ESSER funds were not included in this review as their drawdowns did not cause any concerns for the Department.

Subrecipients are included as part of the targeted monitoring process. When selecting subrecipients, OESE staff review the following items: the number of subrecipient grants awarded, the type of entities that were awarded funds, the amount of those subawards. Also, as part of the consideration for this monitoring engagement, OESE staff focused on recipients with significant allocations, and then once OBPP submitted GEER account balances, attention was given to recipients with large balances of unspent GEER funds, and those that may have the capacity to assist this review as opposed to overburdening smaller subrecipients with already limited capacity during the pandemic.

Based on the outlined criteria, the Department selected Carroll College, the Montana Digital Academy, and the Office of Commissioner of Higher Education to participate as subrecipients for IDOE's targeted monitoring review.

⁴ Alert Memorandum, State Educational Agencies' Implementation of Federal Cash Management Requirements under the American Recovery and Reinvestment Act
<https://www2.ed.gov/about/offices/list/oig/auditreports/AlertMemorandums/109j0007.pdf>

Summary Status of CARES ACT Implementation

STATUS KEY



Met requirements with commendation

High quality implementation & compliance



Met requirements

No instances of noncompliance identified



Met requirements with recommendation

Satisfactory compliance with quality concerns



Action required

Significant compliance & quality concerns

TARGETED MONITORING

Topic	Status
Cash Management and Payment Systems	● ○ ○ ○
Accounting Systems and Fiscal Controls	● ○ ○ ○
Internal Controls	● ● ○ ○
Subrecipient Monitoring	● ● ● ○

Cash Management and Payment Systems

ACTION REQUIRED



This section identifies cash management areas where OESE staff has “significant compliance and quality concerns.”

For these issues, OESE will outline the current practice, the nature of noncompliance, and the required action. Documentation of the required action must be provided to OESE within sixty (60) business days of the receipt of the final Performance Review Report.

REQUIREMENT SUMMARY

A Grantee must have written procedures for payment systems. Grantees are generally required to minimize the time elapsing between transfer of funds from the U.S. Treasury. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to subgrantees.

[Cash Management Improvement Act](#)
[31 C.F.R. §§ 205.1-205.35](#)

Uniform Guidance
[2 C.F.R. § 200.302\(b\)\(6\)](#)
[2 C.F.R. § 200.305](#)

[OMB M-20-20](#)

ISSUE

Background

OESE conducted a review of ESSER and GEER drawdowns from the G5 system that were posted on September 2, 2020. During this review, the Department noted the OBPP had drawn down \$8,070,000 of its \$8,764,495 GEER allocation. As a result of the large amount of GEER funds that had been drawn down by OBPP, the Department informed OBPP on September 29, 2020 that it would initiate a targeted monitoring of OBPP to examine their compliance with cash management procedures and related requirements contained in the Uniform Guidance.

Applicable Federal Requirements

As outlined below, there are similar but distinct cash management requirements for OBPP and its GEER subrecipients.

1. The Cash Management Improvement Act (OBPP)

The disbursement of most Federal assistance⁵ to States, including most grant funds awarded to States by the Department, is governed by the CMIA, a Federal law administered by the United States Department of the Treasury (Treasury). Depending on the dollar amount of a grant in relation to the total amount of Federal funds received by a State, a grant may be considered a major Federal assistance program and will be included in a Treasury-State agreement and governed by subpart A of the CMIA regulations (31 C.F.R. §§205.3-205.31).⁶ Alternatively, funds that fall below the threshold will not be included in a Treasury-State agreement and are governed by subpart B of the CMIA regulations (31 C.F.R. §§205.32-205.35). The Treasury Department posted Montana's Treasury-State agreement for FY 2021 on its website.⁷ Montana's GEER grant was not included in the agreement, accordingly under 31 C.F.R. §205.33, A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

For Federal assistance programs not included in a Treasury-State agreement, interest liabilities to the Federal government are not incurred by the State.

2. The Uniform Guidance

For payments to subrecipients, the Uniform Guidance requirements in 2 C.F.R. §200.305(b) apply. Under the Uniform Guidance, payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. Additionally, 2 C.F.R. §200.305(b)(1) states that OBPP may provide advance payments to GEER subrecipients provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the non-Federal entity, and financial management systems that meet the standards for fund control and accountability as established in the Uniform Guidance. OBPP has an affirmative responsibility to ensure that advance payments to a non-Federal entity be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the

⁵ The CMIA regulations in 31 C.F.R. § 205.2 define "Federal Assistance" as a program included in the Catalog of Federal Domestic Assistance where funds are transferred from the Federal government to a State. Federal assistance programs include cooperative agreements, but do not include vendor payments or direct loans. Cares Act grants administered by OESE are included in the CFDA and are considered Federal assistance under the CMIA.

⁶ The thresholds for major Federal programs are cited in 31 C.F.R. §205.5.

⁷ See <https://www.fiscal.treasury.gov/cmia/resources-treasury-state-agreements.html>

actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs.

The Montana’s Governor’s Office of Budget & Program Planning Compliance with Cash Management Requirements

Based on both virtual monitoring and supporting documents submitted by OBPP and its GEER subrecipients, OBPP did not follow cash management requirements when it drew down over 90% of the GEER funds and provided advance funding through subgrants. Generally, funds should be spent within days, not months after receipt of funds. The following chart lists the GEER recipients and the amount spent by September 30, 2020.

GEER Subrecipient	Awarded	Spent
Carroll College	500,000	344,114
Montana Digital Academy (OCHE)	230,000	4,659
Montana University System (OCHE)	6,500,000	3,954,603
Montana State Library	500,000	47,102
University of Providence	95,000	95,000
Rocky Mountain College	245,000	106,875
Montana School for the Deaf and Blind	58,500	23,199
Totals	\$8,128,500	\$4,575,552

OBPP stated that it believed that GEER funds were emergency funds, and they did not want to delay any expenditures by subrecipients. In discussing how funds were being expended with subrecipients, the Department found that some of funds were spent immediately, but other funds would not be spent for an extended period of time. For example, one of the subrecipients reported to OBPP that they would use GEER funds for teacher stipends in May 2021, while another reported in October 2020 that they were still exploring options on using GEER funds for an electronic document system and had not yet determined how the funds would be spent.

The Department spoke with OBPP during the virtual desk review on December 18, 2020, and OBPP was amenable to ensuring that GEER subrecipients would expend funds expeditiously for allowable purposes or return the funds to G5 and withdraw future funds consistent with the requirements of the CMIA and the Uniform Guidance.

CORRECTIVE ACTIONS

Within 15 days from the date of this report, OBPP must:

1. Remind GEER subrecipients about their requirements in the Uniform Guidance in C.F.R. § 200.305 regarding advance payments and must inform the subrecipients of two options:

- a. Obligate and expend all remaining GEER funds for allowable purposes within 45 days of the date of this report; or
 - b. Return unspent funds to the OBPP (funds that have been returned will still be available to OBPP once they have been obligated).
2. Within 60 days from the date of this report, OBPP must provide to the Department:
- a. A report detailing available GEER subrecipients balances as of 45 days from the date of the report; and
 - b. Evidence that it has returned all unspent GEER funds to the Department's G5 grant management system.

Accounting Systems and Fiscal Management

ACTION REQUIRED



This section identifies accounting systems and fiscal management areas where OESE staff has “significant compliance and quality concerns.”

For these issues, OESE will outline the current practice, the nature of noncompliance, and the required action. Documentation of the required action must be provided to OESE within sixty (60) business days of the receipt of the final Performance Review Report.

REQUIREMENT SUMMARY

Description: A Grantee and its subrecipients must use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds. In general, a Grantee must expend and account for Federal funds in accordance with State laws and procedures for expending and accounting for State funds. In addition, State, Grantee, subrecipients, and LEA accounting systems must satisfy Federal requirements regarding the ability to track the use of funds and permit the disclosure of financial results. Grantees also must have written procedures for determining cost allowability and must maintain effective control over all funds.

EDGAR
[34 C.F.R. 76.702](#)

Uniform Guidance
[2 C.F.R. 200.302](#)
[2 C.F.R. 200.331](#)

ISSUE

OBPP is receiving detailed quarterly reports from its GEER subrecipients and is following up with subrecipients as needed. However, based on discussions, it appears that one of Montana’s GEER subrecipients is not obtaining prior approvals from OBPP consistent with the requirements in the Uniform Guidance in 2 C.F.R. §200.407 and OBPP’s grant agreement. Specifically, the Office of the Commissioner of Higher Education (OCHE) received \$6,500,000 of GEER funds on behalf of the public institutions of higher education (IHEs) in Montana.⁸ OCHE received proposals for GEER funds from IHEs in Montana and approved the use of those funds on September 14, 2020. The Department identified multiple institutions where GEER funds are being used for technology upgrades to wireless systems and construction as reported in OCHE’s Program Awards and Distributions document.⁹ Prior

⁸ Based on information on the OCHE website, <https://mus.edu/che/>, “The Office of the Commissioner of Higher Education (OCHE) is the central administrative unit of the Montana University System and the Board of Regents.”

⁹ For example, Montana Technological University expended \$50,888 of GEER funds for “Capital Equipment.”

approval for equipment and other capital expenditures is required under the Uniform Guidance and Section 5 of the agreement between OBPP and OCHE. In 2 C.F.R. § 200.439(b), capital expenditures for equipment or improvements to buildings require prior written approval of the pass-through entity (i.e., OBPP). Additionally, the agreement between OBPP and OCHE states that “Equipment must not be encumbered without prior approval and any sale of equipment over \$5,000 must follow federal procedures.”

CORRECTIVE ACTIONS

Within 60 days from the date of this report, OBPP must:

1. Meet with OCHE to review proposed and actual expenditures to determine whether there are items of cost that constitute equipment or improvements to buildings that require prior approval under 2 C.F.R. § 200.439.
2. Require OCHE to submit requests for prior approval for all relevant items.
3. Review the requests for prior approval from OCHE for allowability.
4. Report to the Department on the expenditures that OBPP approved.

SECTION V

Internal Controls

MET REQUIREMENTS WITH RECOMMENDATIONS



This section identifies Internal Control areas where OESE staff identified quality implementation concerns and some improvements could be made to ensure the grantee continues to meet expectations.

REQUIREMENT SUMMARY

Description: A Grantee must establish and maintain a system of effective internal controls over Federal awards that provides reasonable assurance that the Grantee is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards. These internal controls should be in accordance with guidance stated in the “Standards of Internal Control in the Federal Government” ([GAO Green Book](#)) or the “Internal Controls Integrated Framework” (Treadway Commission).

Uniform Guidance
[2 C.F.R. 200.303](#)

ISSUE

Based on documents submitted by OBPP, the Department found that OBPP has conducted an analysis of its internal organization and the potential challenges OBPP may have in administering GEER funds. While OBPP did not formally evaluate each GEER subrecipient for risk for purposes of determining appropriate subrecipient monitoring due to the small number of GEER subrecipients in Montana, OBPP is monitoring expenditures of all subrecipients, and is conducting follow-up monitoring activities as needed. OBPP did state that they did not hire additional staff to implement the GEER grant.

RECOMMENDATIONS

OBPP has received additional GEER funds in 2021 and depending on priorities additional subrecipients may receive GEER funds. OESE recommends that OBPP should examine whether current staffing at OBPP is sufficient to administer the additional funds and oversee potential additional subrecipients. Additionally, based on the number of additional subrecipients, OBPP may need to perform risk assessments to prioritize subrecipients who require technical assistance and/or monitoring engagements.