

# CARES ACT

## Targeted Monitoring Report:

### Nevada Office of the Governor

### (GEER Funds)

<b>Met Requirements</b>	<b>2</b>
<b>Action Required</b>	<b>2</b>

**U.S. Department of Education  
Office of Elementary and Secondary Education  
400 Maryland Avenue, SW  
Washington, DC 20202**



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## Table of Contents

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GENERAL INFORMATION .....	3
SECTION I.....	5
OVERVIEW OF NEVADA OFFICE OF THE GOVERNOR TARGETED MONITORING REVIEW .....	5
SUMMARY OF OESE PROCESS AND SELECTION .....	6
SECTION II.....	7
SUMMARY STATUS OF CARES ACT IMPLEMENTATION .....	7
SECTION III.....	8
CASH MANAGEMENT AND PAYMENT SYSTEMS .....	8
SECTION IV .....	10
INTERNAL CONTROLS .....	10

## 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 not only to address the OESE's responsibilities for fiscal and programmatic oversight, but also to identify areas in which States may need assistance and support to meet their goals and obligations.

Specifically, OESE in creating this pro-active monitoring review process for the Coronavirus Aid, Relief and Economic Security (CARES) Act funds, OESE seeks to conduct a targeted and streamlined approach to assist States with their efforts to comply with Federal regulations, remind States of the documentation standards and maintain financial management of CARES Act funds. Ideally, this review process will result in improved and strengthened partnerships between the United States Department of Education (the Department) and States and encourage States to develop and effectively integrate CARES Act funding within current policies and procedures that align to the requirements of other Federally administrated grants. To accomplish this, OESE's CARES Act monitoring review process is organized and focused 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. The monitoring review process also prioritizes the OESE's monitoring to areas known to be challenging based on the Department's oversight of Recovery Act funds.<sup>1</sup>

OESE's CARES Act monitoring review addresses a State's fiscal management processes and internal controls and is based on information provided and obtained through the monitoring review process, and other relevant qualitative and quantitative data. The primary goal of the review is to ensure that funds received under the CARES Act are managed by States in a manner consistent with 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), OMB memo 20-20, and the Cash Management Improvement Act (CMIA).

OESE's CARES Act targeted monitoring review was comprised of a self-assessment questionnaire and a virtual desk review.<sup>2</sup> Additionally, OESE reviewed self-assessments and desk reviews with subrecipients, as a matter of due diligence, to learn how State agencies that received CARES Act funds plan to monitor subrecipient expenditures and ensure CARES Act funds are being used for allowable purposes.

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<sup>1</sup> 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>

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

## **Navigating the Targeted Monitoring Report**

This report contains four sections. Section I contains a snapshot of the entire process from notification through this concluding report. Information in Section I includes the rationale OESE took in selecting a particular entity for monitoring, a summary of the materials submitted by the monitored entity and the virtual desk review. Also, contained in this section, is an outline of the subrecipient selection process.

Section II is a summary of the State's performance on each indicator reviewed within each covered targeted monitoring subject matter area. 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 addressed.

Section III corresponds with Cash Management and Payment Systems

Section IV corresponds with Internal Controls

## SECTION I

# Overview of Nevada Office of the Governor Targeted Monitoring Review



## CARES ACT ESSER OR GEER FUND DISTRIBUTION



### FEDERAL FUNDING<sup>3</sup>

CARES ACT	
GEER	\$26,447,349.00
Total	\$26,447,349.00

### Key Dates of Review

CARES ACT Monitoring Notification: September 29, 2020  
 Initial Call: October 21, 2020  
 Virtual Desk Review: February 2, 2021  
 Subrecipient Monitoring Selection: October 21, 2020  
 Subrecipient Initial Call: October 21, 2020  
 Subrecipient Desk Review: February 8, 2021

### ED Reviewers

Shane Morrisey (Management Support Office)  
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### Subrecipients Participating in the Desk Review

Nevada Department of Education  
 Clark County School District

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<sup>3</sup> 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 (<https://oese.ed.gov/offices/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

# Summary of OESE Process and Selection of Nevada Office of the Governor

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. The CARES Act created several new programs including the Education Stabilization Fund Discretionary Grants, Governor's Emergency Education Relief Fund (GEER Fund), Elementary and Secondary School Emergency Relief Fund (ESSER Fund), and Higher Education Emergency Relief Fund. After the Department completed awarding the GEER funds, the Nevada Office of the Governor (NVOG) immediately withdrew 100 percent of their available GEER balance from Department's grants management system (G5), which triggered potential cash management concerns. As such, OESE began developing a targeted monitoring review process for the several ESSER or GEER grantees that immediately drew down 90 percent or more of their GEER or ESSER funding. This review was designed to specifically monitor these grants to ensure proper oversight and provide States with technical assistance.

NVOG triggered a targeted monitoring review by immediately drawing down 100 percent of its allocation of GEER funds. NVOG was monitored only for NVOG's management of GEER funds.

On December 16, 2019 Nevada Department of Education (NDE) was notified that it was selected to participate in the U.S. Department of Education's (Department's) Office of Elementary and Secondary Education (OESE) consolidated performance review for Fiscal Year 2020 (FY 2020). During the consolidated performance review OESE evaluated State and local compliance with Federal requirements, including cross-cutting, fiscal and program-specific fiscal requirements, associated with the administration of Federal funds. Therefore, NDE's consolidated performance review coincided with NVOG's targeted GEER review.

Subrecipients were included as part of the targeted monitoring process. The Department selected the Nevada Department of Education and Clark County School District, which is the largest school district in Nevada as subrecipients for NVOG's targeted monitoring review.

On September 29, 2020 NVOG agreed to participate in a virtual desk review with the Department scheduled to take place on Tuesday, February 2, 2021. Prior to the virtual meeting the Department provided NVOG with desk review questions for the interactive portion of the review in accordance with OESE standard operating monitoring procedures.

## SECTION II

# 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	● ○ ○ ○
Internal Controls	● ○ ○ ○
Accounting Systems and Fiscal Controls	● ● ● ○
Subrecipient Monitoring	● ● ● ○

## SECTION III

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# 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 and the nature of noncompliance. OESE only requires a status update for this finding.

### **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](#)

### **Background**

OESE conducted a review of ESSER and GEER drawdowns from the G5 system that were posted on July 8, 2020. During this review, the Department noted the NVOG had drawn down 100 percent of their GEER funds- \$26,477,349. As a result of the large amount of GEER funds that had been drawn down by NVOG, the Department informed Nevada Office of the Governor (NVOG) on September 29, 2020 that it would initiate a targeted monitoring of NVOG to examine their compliance with cash management procedures and related requirements contained in the Uniform Guidance. NVOG was also notified that the Nevada Department of Education was selected to participate in the U.S. Department of Education’s (Department’s) Office of Elementary and Secondary Education (OESE) consolidated performance review for Fiscal Year 2020 (FY 2020). Therefore, the consolidated performance review, which evaluates State and local compliance with Federal requirements, coincided with the GEER review<sup>4</sup>.

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<sup>4</sup> The 2021 Nevada Consolidated Performance Review will be issued in a separate report.

## **Applicable Federal Requirements**

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

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

### **The Nevada Office of the Governor's Compliance with Cash Management Requirements**

Based on both virtual monitoring and supporting documents submitted by NVOG, it did not follow cash management requirements when it drew down 100% of its GEER funds. Generally, funds should be expended within days after they are drawn down from the Department's G5 system.

During the virtual monitoring, NVOG stated that GEER was a new type of funding for its office; and that it does not ordinarily work with education-related grants. Once the Department made NVOG aware that its drawdown of its total award (\$26,477,349) was improper, NVOG took steps to return any unobligated funds. NVOG returned \$24,916,760.13 to the Department on November 3, 2020. NVOG indicated that the remaining \$1,560,588.87 has been obligated for Pre-K purposes and is currently held in a budget account within the Office of the Governor.

For NDE to receive a transfer of GEER funding from the Governor's Budget Account into a NDE budget account, NDE must complete a funding request, which is an adjustment to the legislatively approved budget. Prior to any adjustments to the legislative approved budget, the Governor's Finance Office must review the documentation to support the cost of reimbursement requested.

## **CORRECTIVE ACTIONS**

- 1) Within 30 days of receiving this report, NVOG must provide a status update on the remaining \$1,560,588.87 that have been obligated for Pre-K purposes. If those funds have not yet been expended, provide a timeline for when NDE expects them to be expended.

- 2) Within 90 days of receiving this report, NVOG must return any unexpended funds to the Department's G5 system.<sup>5</sup>

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<sup>5</sup> These funds will still be available for use by NVOG, but must only be drawn down either to be used on a reimbursement basis for NVOG subrecipients, or any advance payments to subrecipients must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the subrecipient in carrying out the purpose of the approved program or project.

## SECTION IV

# Internal Controls

### ACTION REQUIRED

This section identifies Internal Control areas where OESE staff has “compliance and quality concerns.”

For those issues, OESE will outline the current practice, the nature of noncompliance, and the required action.

### 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

Under 2 C.F.R. § 200.303, a non-Federal entity must establish and maintain effective internal control over a Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award (2 C.F.R. § 200.303(a)).

While NVOG is the grantee responsible for the management of GEER funds, it was stated during the review that NDE has been designated by NVOG as the entity responsible for oversight and management of Nevada’s GEER funds. While it is perfectly acceptable for a grantee to delegate management responsibilities related to Federal grant funds to another state agency, it was stated during the review that this is an informal arrangement and there is no interagency agreement or formal documentation that articulates the relationship between the Governor’s office and NDE regarding the management of GEER funds. A formal interagency agreement would illustrate who is responsible for what actions, and absent such an agreement, NVOG itself would be responsible for fulfilling various requirements that attach to the receipt of Federal Funds (such as Uniform Guidance requirements related to internal controls, subrecipient monitoring, etc.).

Without a formal interagency or other agreement between NVOG and NDE that details the responsibilities delegated to each entity, NVOG is unable to provide reasonable assurance that it is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of its GEEF funds and that it has established and maintained effective internal control over the funds in accordance with 2 C.F.R. 200.303(a).

## CORRECTIVE ACTION

Within 60 days from the date of this letter, NVOG must:

- 1) Develop an interagency agreement, grant agreement or other document that outlines the relationship between the NVOG and NDE and defines the responsibilities for each entity related to the management of Nevada's GEER funds.
  - a. If NDE is going to continue to bear the bulk of the responsibility for the management of the Nevada's GEER funds, this agreement should outline how it will fulfill the internal controls requirements under 2. C.F.R. 200.303(a) on behalf of NVOG.