



U.S. Department of Education
Office of Inspector General

Illinois' Oversight of Local Educational Agency ARP ESSER Plans and Spending

March 27, 2024
ED-OIG/A22CA0133

ED OIG Oversight of Coronavirus Response Funds



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

March 27, 2024

Dr. Tony Sanders
State Superintendent of Education
Illinois State Board of Education
100 North 1st Street
Springfield, IL 62777

Dear Superintendent Sanders:

Enclosed is our final report, "Illinois' Oversight of Local Educational Agency ARP ESSER Plans and Spending," Control Number ED-OIG/A22CA0133. This report incorporates the comments you provided in response to the draft report. The U.S. Department of Education's policy is to expedite resolution by timely acting on findings and recommendations. Therefore, 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:

Adam Schott
Deputy Assistant Secretary for Office of Elementary and Secondary Education
U.S. Department of Education
400 Maryland Avenue, SW
Washington, D.C. 20202

We appreciate your cooperation during this review. If you have any questions, please contact me at (916) 213-7630 or Ben.Sanders@ed.gov.

Sincerely,

/s/

Ben C. Sanders
Regional Inspector General for Audit

Enclosure

Table of Contents

Results in Brief	1
Introduction	5
Finding 1. Illinois Generally Had Adequate Processes for Reviewing and Approving LEA ARP ESSER Plans, But Did Not Ensure That Plans Were Submitted Within a Reasonable Timeframe.....	12
Finding 2. Illinois’ Process for Reviewing LEA ARP ESSER Reimbursement Requests Could Be Strengthened in a Key Area	21
Appendix A. Scope and Methodology.....	29
Appendix B. Allowable Uses of ESSER Funds	35
Appendix C. Acronyms and Abbreviations.....	38
Illinois’ Comments	39

Results in Brief

What We Did

The objectives of the audit were to determine whether the Illinois State Board of Education (Illinois) had an adequate oversight process in place to ensure that (1) local educational agencies' (LEA) American Rescue Plan (ARP) Elementary and Secondary School Emergency Relief (ESSER) plans met applicable requirements and (2) LEAs use ARP ESSER funds in accordance with applicable requirements and their approved LEA ARP ESSER plans. Our review covered Illinois' processes for reviewing and approving LEA ARP ESSER plans and overseeing LEAs' use of ARP ESSER funds from March 24, 2021, through March 31, 2023.

For both objectives, we gained an understanding of Illinois' processes through interviews with key Illinois officials and reviews of relevant documents and records, such as written procedures and guidance and technical assistance documents that Illinois provided to LEAs. For the first objective, we reviewed the summary results of Illinois' review of LEA ARP ESSER application and plan submissions to verify that Illinois approved the plans for 801 LEAs that had applied for and received ARP ESSER funds and gain an understanding of how often and why plan reviewers did not approve plans.¹ We also reviewed the ARP ESSER plans for 16 LEAs to determine whether they met applicable requirements. For 2 of the 16 LEAs, Chicago Public School District 299 (Chicago) and Waukegan Community Unit School District 60 (Waukegan), we reviewed additional information (such as ARP ESSER grant applications, plan approval documents, and related correspondence) to verify that Illinois followed its established ARP ESSER plan review and approval processes and was consistent in how it reviewed and approved the two plans. For the second objective, we reviewed samples of ARP ESSER expenditures at Chicago and Waukegan to determine whether they used ARP ESSER funds in accordance with applicable requirements and their approved LEA ARP ESSER plans.

What We Found

Illinois generally had adequate processes to ensure that LEA ARP ESSER plans met applicable requirements ([Finding 1](#)). Illinois communicated clear, accurate, and timely guidance and technical assistance to LEAs regarding how to develop and submit their ARP ESSER plans and what to include in those plans. However, Illinois did not

¹ Illinois allocated \$4.6 billion in ARP ESSER funds to 849 LEAs in July 2021. For this audit, we limited our review to the 801 LEAs that had applied for and received ARP ESSER funds on or before March 31, 2023.

communicate accurate guidance to LEAs regarding when to submit their ARP ESSER plans according to U.S. Department of Education (Department) guidance.² As a result, 434 (54 percent) of 801 LEAs did not submit their ARP ESSER plans within a reasonable timeframe as provided for in Department guidance, with one LEA submitting its plan to Illinois more than 540 days after receiving its allocation.³ Further, six LEAs still had not submitted their ARP ESSER grant application and plan to Illinois as of January 11, 2024, more than 2.5 years after the LEAs received their ARP ESSER allocations. Thus, some LEAs may not have received critical ARP ESSER funds timely or early enough to adequately respond to the impacts of the coronavirus pandemic by addressing students' academic, social, emotional, and mental health needs, which was the purpose of the ARP ESSER program.

Illinois approved the ARP ESSER plans for all 801 (100 percent) LEAs that applied for and received ARP ESSER funds. We determined that the ARP ESSER plans for all 16 LEAs (100 percent) reviewed met applicable requirements⁴ and that Illinois followed its established ARP ESSER plan review and approval processes and was consistent in how it reviewed and approved the plans for Chicago and Waukegan.

Illinois' process for reviewing LEA ARP ESSER reimbursement requests could be strengthened in a key area to provide additional assurance that LEAs use ARP ESSER funds for allowable purposes ([Finding 2](#)). While Illinois has been consistent in how it oversees LEAs' use of ARP ESSER funds, it does not request a listing of expenditures or review any supporting documentation from LEAs as part of its review of LEA reimbursement requests. Without supporting documentation to verify that the expenditures are allowable and properly accounted for, there is an increased risk that Illinois will not identify or become aware of significant compliance issues involving the ARP ESSER program.

² The U.S. Department of Education stated in its interim final requirements for the ARP ESSER Fund (effective April 22, 2021) and State plan template that State educational agencies are responsible for establishing a deadline for LEAs to submit their ARP ESSER plans that must be reasonable and should be within no later than 90 days after the LEAs received their ARP ESSER allocation.

³ Chicago and Waukegan submitted their plans timely (within 90 days of receiving their ARP ESSER allocation).

⁴ The posted plan for one LEA was missing information on how the LEA planned to use ARP ESSER funds. However, we verified that the plan that Illinois reviewed and approved for the LEA included the missing information and concluded that the LEA had posted an incomplete version of its plan on its website.

The ARP ESSER program was considered a higher risk program for 2022 and 2023 according to 2 Code of Federal Regulations (C.F.R.) section 200.519(c)(2) and the Office of Management and Budget's 2 C.F.R. Part 200, Appendix XI, Compliance Supplement (April 2022 and May 2023). The Pandemic Response Accountability Committee, located within the Council of the Inspectors General on Integrity and Efficiency, stated that the unprecedented amount of money made available for pandemic relief and quick distribution of most funds put the money at a higher risk for fraud. We reviewed a total of 26 ARP ESSER expenditures for Chicago and Waukegan (13 expenditures for each LEA) and did not identify issues at either LEA. Although we did not identify any issues during our review of LEA expenditures, it is still important for Illinois to strengthen its process for reviewing LEA ARP ESSER reimbursement requests given ARP ESSER's designation as a higher risk program.

What We Recommend

We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education require Illinois to (1) direct LEAs that have not yet applied but plan to apply for ARP ESSER funds to submit their ARP ESSER grant applications and plans to Illinois as soon as possible and (2) design and incorporate into its documented procedures for reviewing LEA reimbursement requests, protocols to sample LEA expenditures charged to ARP ESSER and review supporting documentation to ensure that applicable Federal, State, and local requirements are met.

Illinois' Comments and Our Response

We provided a draft of this report to Illinois for comment. We summarize Illinois' comments at the end of each finding and provide the full text of the comments at the end of the report ([Illinois' Comments](#)).

Illinois agreed with both findings and the related recommendations. For Recommendation 1.1, Illinois stated that it has and will continue to encourage the remaining LEAs to submit their ARP ESSER applications and plans and will provide technical support to those LEAs until their submissions are received. For Recommendation 2.1, Illinois stated that by June 2024 it will strengthen its LEA reimbursement requests protocol by requiring LEAs to provide a listing of their ARP ESSER expenditures and supporting documentation and selecting a sample of those expenditures for review to determine whether they are allowable. Illinois described at a high level the scope and activities associated with that review, which in part would include extracting LEA expenditure report samples, conducting pre-monitoring fiscal reviews of LEA expenditures against the general ledger and other supporting documentation, and verifying allowable or unallowable expenditure items. Illinois' proposed actions, if implemented as described, are responsive to our

recommendations. We made clarifying edits to the report in response to technical comments provided by the Department.

Introduction

Background

On March 13, 2020, the President declared a national emergency due to the coronavirus pandemic. In response, Congress passed three coronavirus relief acts within a 1-year period that provided more than \$275 billion for an Education Stabilization Fund to prevent, prepare for, and respond to the coronavirus, including \$189.5 billion for the Elementary and Secondary School Emergency Relief Fund (ESSER).

- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted on March 27, 2020 (Public Law 116-136), provided about \$13.2 billion for ESSER to address the impact that the coronavirus had and continues to have on elementary and secondary schools.
- The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), enacted on December 27, 2020 (Public Law 116-260), provided an additional \$54.3 billion for ESSER to help State educational agencies (SEA) and local educational agencies (LEA) safely reopen schools, measure and effectively address significant learning loss, and take other actions to mitigate the impact of the coronavirus on the students and families who depend on elementary and secondary schools.
- The American Rescue Plan (ARP), enacted on March 11, 2021 (Public Law 117-2), provided the remaining \$122 billion for ESSER to help SEAs and LEAs safely reopen and sustain the safe operation of schools and address the impact of the coronavirus pandemic on students.

ARP ESSER

On March 24, 2021, the U.S. Department of Education (Department) awarded about \$81 billion in ARP ESSER funds to SEAs, about two-thirds of each SEA's total allocation. To receive the remaining funds, each SEA was required to submit a plan to the Department's Office of Elementary and Secondary Education for approval that described how the SEA would use ARP ESSER funds to safely reopen schools, support sustained access to in-person instruction, and address the academic, social, emotional, and mental health needs of students. By December 2021, the Department had approved all SEA plans and awarded the remaining \$41 billion in ARP ESSER funds to SEAs. The Illinois SEA plan was submitted in June 2021 and approved by the Department in August 2021.

SEA Reserve

Under ARP, SEAs were allowed to reserve up to 10 percent of their total ARP ESSER allocation for use by the SEA.⁵ Section 2001(f) of ARP required the SEA to set aside funds for certain activities and interventions that respond to students' academic, social, and emotional needs and address the disproportionate impact of the coronavirus on student subgroups, with Department guidance emphasizing that SEAs should focus their efforts on underserved student subgroups in particular. Specifically, from its total ARP ESSER allocation, the SEA was required to spend at least

- 5 percent for the implementation of evidence-based interventions aimed specifically at addressing learning loss, such as summer learning or summer enrichment, extended day, comprehensive afterschool programs, or extended school year programs;
- 1 percent for evidence-based summer enrichment programs; and
- 1 percent for evidence-based comprehensive afterschool programs.

Additionally, an SEA could use up to one-half of 1 percent of its total ARP ESSER allocation for administrative costs. The remainder of funds, up to 3 percent depending on the amount otherwise reserved, may be used for emergency needs as determined by the State to address issues related to the coronavirus pandemic.

Subgrants to LEAs

Section 2001(d)(1) of ARP required SEAs to allocate at least 90 percent of their total ARP ESSER allocation to LEAs in the State to help meet a wide range of needs arising from the coronavirus pandemic, including reopening schools safely, sustaining their safe operation, and addressing students' social, emotional, mental health, and academic needs resulting from the pandemic. SEAs were required to allocate ARP ESSER funds to LEAs based on their respective shares of funds received under Title I, Part A of the Elementary and Secondary Education Act of 1965 (ESEA) in fiscal year (FY) 2020. Additionally, SEAs were required to allocate ARP ESSER funds to LEAs in an expedited and timely manner and, to the extent practicable, no later than 60 days after receiving their ARP ESSER funds.

LEAs' ARP ESSER Plans

The interim final requirements (IFR) for the ARP ESSER Fund, effective April 22, 2021, require each LEA receiving ARP ESSER funds to develop and submit to the SEA a plan for

⁵ ARP sections 2001(d) and (f).

the LEA's use of ARP ESSER funds.⁶ The LEA must submit the plan in accordance with the procedures and deadline established by the SEA⁷ and make the plan publicly available on the LEA's website. At a minimum, the LEA ARP ESSER plan must describe

- the extent to which and how the funds will be used to implement prevention and mitigation strategies that are, to the greatest extent practicable, consistent with the most recent Centers for Disease Control and Prevention (CDC) guidance on reopening schools, in order to continuously and safely open and operate schools for in-person learning;
- how the LEA will use the funds it reserves under section 2001(e)(1) of ARP to address the academic impact of lost instructional time through the implementation of evidence-based interventions, such as summer learning or summer enrichment, extended day, comprehensive afterschool programs, or extended school year;
- how the LEA will spend its remaining ARP ESSER funds consistent with section 2001(e)(2) of ARP; and
- how the LEA will ensure that the interventions it implements, including but not limited to the interventions implemented under section 2001(e)(1) of ARP to address the academic impact of lost instructional time, will respond to the academic, social, emotional, and mental health needs of all students, and particularly those students disproportionately impacted by the coronavirus pandemic, including students from low-income families, students of color, English learners, children with disabilities, students experiencing homelessness, children in foster care, and migratory students.

The IFR for ARP ESSER required an LEA to engage in meaningful consultation with stakeholders when developing its plan. These stakeholders include but are not limited to students, families, teachers, school and district administrators, and unions. An LEA was also required to consult with the following stakeholders to the extent present in or served by the LEA: tribes, civil rights organizations (including disability rights organizations), and those representing the interests of children with disabilities, English learners, children experiencing homelessness, children and youth in foster care,

⁶ Federal Register, IFR for ARP ESSER, 86 FR 21198.

⁷ Per Federal Register, IFR for ARP ESSER, 86 FR 21199, the SEA must establish a deadline for an LEA to submit its plan that is reasonable and should be no more than 90 days after receiving its ARP ESSER allocation.

migratory students, children who are incarcerated, and other underserved students. Additionally, an LEA needed to provide the public with an opportunity to provide input on the plan and consider that input as it developed the plan. Lastly, the IFR for ARP ESSER required that LEA ARP ESSER plans be accessible, including to parents with limited English proficiency and individuals with a disability. The Illinois State Board of Education required LEAs to submit their ARP ESSER plans by August 31, 2024.

LEAs' Use of ARP ESSER Funds

Section 2001(e)(1) of ARP requires an LEA to reserve at least 20 percent of its ARP ESSER allocation to address the academic impact of lost instructional time (learning loss) through the implementation of evidence-based interventions—for example by providing intensive or high-dosage tutoring or accelerating learning. LEAs must ensure that the interventions respond to students' academic, social, and emotional needs and address the disproportionate impact of the coronavirus on underrepresented student subgroups.

An LEA may use the other 80 percent of its ARP ESSER allocation for a broad range of activities, including any activities allowed under the ESEA, Individuals with Disabilities Education Act, the Strengthening Career and Technical Education for the 21st Century Act, and the Adult Education and Family Literacy Act.

For example, an LEA may use ARP ESSER funds to

- implement coronavirus prevention strategies to safely reopen schools, maximize in-person instruction, and align with public health guidance, including by upgrading school facilities for healthy learning environments;
- address the mental health needs of students, including using funds to hire counselors and other staff;
- provide integrated student support services, including by using full-service community schools and assisting homeless children and youth in attending and participating in school activities;
- connect elementary and secondary education students to high-quality home internet and devices; and
- stabilize and diversify the educator workforce.

LEAs can also use ARP ESSER funds for any activity deemed allowable under section 18003(d) of the CARES Act and section 313(d) of CRRSAA. See [Appendix B](#) for a summary of allowable uses of ESSER funds under the CARES Act, CRRSAA, and ARP.

Maintenance of Equity

Section 2004(b) and (c) of ARP includes new equity requirements, called maintenance of equity (MOEquity), that are a condition for SEAs and LEAs receiving ARP ESSER funds. MOEquity provisions help ensure that schools and LEAs serving large proportions of historically underserved groups of students receive an equitable share of State and local funds. MOEquity requirements ensure that in FYs 2022 and 2023 an SEA does not disproportionately reduce per-pupil State funds to high-need LEAs or reduce per-pupil State funding to the highest-poverty LEAs below their FY 2019 level, and that an LEA does not disproportionately reduce State and local per-pupil funding in high-poverty schools or disproportionately reduce the number of full-time-equivalent staff per pupil in high-poverty schools.⁸

According to the Department's Frequently Asked Questions on ARP ESSER MOEquity Requirements (dated July 26, 2022), MOEquity exceptions for LEAs may be granted by the SEA or Department for various reasons, included those listed under section 2004(c)(2) of ARP. Section 2004(c)(2) of ARP states that an LEA does not need to maintain equity if the LEA meets one or more of the following:

1. Has a total enrollment of less than 1,000 students.
2. Operates a single school.
3. Serves all students within each grade span with a single school.
4. Demonstrates an exceptional or uncontrollable circumstance, such as unpredictable changes in student enrollment or a precipitous decline in the financial resources of the LEA as determined by the Department's Secretary.

Additionally, the Department determined that timing and implementation challenges due to the pandemic (specifically related to LEA budgeting) are examples of exceptional or uncontrollable circumstances that justify a limited exception to the local MOEquity requirements for FYs 2022 and 2023. An LEA experiencing these circumstances may demonstrate that it is excepted from the requirements for a given year by certifying to the SEA that it will not implement an aggregate reduction in combined State and local per-pupil funding in that year. Per the final requirements for the ARP ESSER Fund, effective June 8, 2022,⁹ each State must publish the names of the LEAs that are

⁸ Section 2004(d)(4)(A) of ARP defines a high-poverty school as a school that is in the highest quartile of schools served by the LEA based on the percentage of economically disadvantaged students served.

⁹ Federal Register, Final Requirements for ARP ESSER Fund, 87 FR 34790.

excepted under each exception category. Each State must determine the most appropriate way to publish and list this information so that parents, families, and the general public in the State will be able to access and understand the information.

Illinois State Board of Education

The Illinois State Board of Education (Illinois), which is led by an appointed State Superintendent of Education, is charged with overseeing public preschool–12 education in the State of Illinois. Illinois’ Title Grant Administration, Federal and State Monitoring, and Funding and Disbursements offices are responsible for the administration and oversight of ARP ESSER subgrants to LEAs. Illinois has 852 LEAs (849 LEAs received ARP ESSER allocations) and 3,841 schools that collectively serve about 1.9 million students. As of March 31, 2023 (the end of our audit period), 801 LEAs had applied for and received ARP ESSER funding and Illinois had drawn down about \$1.8 billion (37 percent)¹⁰ of its \$5.1 billion ARP ESSER allocation.¹¹ As a part of the audit, we selected two Illinois LEAs for review: Chicago Public School District 299 and Waukegan Community Unit School District 60.

Chicago Public School District 299

Chicago Public School District 299 (Chicago), located in Chicago, Illinois, is the largest LEA in the State with 636 schools that serve about 322,000 students. Chicago was allocated approximately \$1.8 billion in ARP ESSER funds. As of March 31, 2023, Chicago had spent about \$660 million (37 percent) of its \$1.8 billion ARP ESSER allocation. Of the \$660 million, Chicago spent about \$275 million (42 percent) to address learning loss and \$385 million (58 percent) in other areas. In its approved ARP ESSER plan, Chicago stated that it planned to use its 20 percent learning loss reserve, in part, for extended day and afterschool programs, summer learning programs, and high-dosage tutoring and the remainder of its funds for operational investments in schools such as technology, building supplies, and school-based instructional positions.

Waukegan Community Unit School District 60

Waukegan Community Unit School District 60 (Waukegan), located in Waukegan, Illinois, is one of the larger LEAs in the State with 24 schools that serve about 14,000 students. Waukegan was allocated approximately \$43.4 million in ARP ESSER funds. As

¹⁰ In this report, we round all percentages to the nearest whole number.

¹¹ As of January 10, 2024, Illinois had drawn down about \$3.2 billion (63 percent) of its \$5.1 billion ARP ESSER allocation.

of March 31, 2023, Waukegan had spent about \$25.5 million (59 percent) of its \$43.4 million ARP ESSER allocation. Of the \$25.5 million, Waukegan spent about \$8.7 million (34 percent) to address learning loss and \$16.8 million (66 percent) in other areas. In its approved ARP ESSER plan, Waukegan stated that it planned to use its 20 percent learning loss reserve, in part, for summer learning and comprehensive afterschool programs (including tutoring) and the remainder of its funds for technology (such as Chromebooks and iPads) for students, digital instructional services, and repairs and improvements to school facilities to reduce environmental health hazards.

Finding 1. Illinois Generally Had Adequate Processes for Reviewing and Approving LEA ARP ESSER Plans, But Did Not Ensure That Plans Were Submitted Within a Reasonable Timeframe

Illinois generally had adequate processes to ensure that LEA ARP ESSER plans met applicable requirements. Illinois communicated clear, accurate, and timely guidance and technical assistance to LEAs regarding how to develop and submit their ARP ESSER plans and what to include in those plans. However, Illinois did not communicate accurate guidance to LEAs regarding when to submit their ARP ESSER plans according to Department guidance. As a result, 434 (54 percent) of 801 LEAs¹² did not submit their ARP ESSER plans within a reasonable timeframe as provided for in Department guidance, with one LEA submitting its plan to Illinois more than 540 days after receiving its allocation. Further, six LEAs still had not submitted their ARP ESSER grant application and plan to Illinois as of January 11, 2024. Thus, some LEAs may not have received critical ARP ESSER funds timely or early enough to adequately respond to the impacts of the coronavirus pandemic by addressing students' academic, social, emotional, and mental health needs, which was the purpose of the ARP ESSER program.

Illinois' process for reviewing and approving plans was rigorous and designed to ensure that the plans adequately addressed applicable requirements. Illinois used a checklist to guide its review and approval of LEA ARP ESSER plans. The checklist adequately addressed all applicable plan requirements. Illinois approved ARP ESSER plans for all 801 (100 percent) LEAs that applied for and received ARP ESSER funds. We reviewed the ARP ESSER plans for 16 LEAs and determined that they were posted on LEA websites and met applicable requirements. The posted plan for one LEA was missing information on how the LEA planned to use ARP ESSER funds. However, we verified that the plan Illinois reviewed and approved for the LEA included the missing information and concluded that the LEA had posted an incomplete version of its plan on its website. For 2 (13 percent) of the 16 LEAs (Chicago and Waukegan), we reviewed additional information (such as ARP ESSER grant applications, plan approval documents, and related correspondence) and determined that Illinois followed its established ARP ESSER plan review and approval

¹² Illinois allocated \$4.6 billion to 849 LEAs in July 2021. For this audit, we limited our review to the 801 LEAs that had applied for and received ARP ESSER funds on or before March 31, 2023 (end of our audit period).

processes and was consistent in how it reviewed and approved the plans for the two LEAs.

Technical Assistance and Guidance Provided to LEAs

Illinois provided technical assistance and guidance to LEAs, in part, through dissemination of Frequently Asked Questions documents (prepared by the Department), presentations, webinars, and emails sent through the Illinois Web Application Security (IWAS) system.¹³ The technical assistance and guidance provided to LEAs covered various topics, including ARP ESSER plan narrative requirements, application and plan submission instructions, meaningful consultation under ARP ESSER, and spending plan budget and signed assurances form submission requirements. Illinois provided a large portion of this technical assistance and guidance to LEAs in June 2021, which was 1 month before LEAs were notified that they had been allocated and could apply for ARP ESSER funds (July 2021). While Illinois communicated clear, accurate, and timely guidance and technical assistance to LEAs regarding how to develop and submit their ARP ESSER plans and what to include in those plans, it did not communicate accurate guidance to LEAs regarding when to submit their ARP ESSER plans according to Department guidance.

Illinois Did Not Establish a Reasonable Timeframe for LEA ARP ESSER Plan Submission

Illinois established a deadline of August 31, 2024, for LEAs to submit their ARP ESSER plans, which is more than 3 years after LEAs received their ARP ESSER allocations (funds allocated on July 7, 2021) and not reasonable and timely per Department guidance. As a result, 434 (54 percent) of the 801 LEAs covered by our review did not submit their ARP ESSER plans within a reasonable timeframe, with one LEA submitting its plan to Illinois more than 540 days after receiving its allocation. Further, 6 (1 percent) of the 849 LEAs that received an ARP ESSER allocation still had not submitted their ARP ESSER application and plan to Illinois as of January 11, 2024, more than 2.5 years after the LEAs received their ARP ESSER allocations.¹⁴ According to Department guidance provided in both its IFR for ARP ESSER¹⁵ and State plan template, SEAs were responsible for establishing a deadline for LEAs to submit their ARP ESSER plans that was reasonable

¹³ IWAS is a web-based system that Illinois uses to manage its grants.

¹⁴ The 48 LEAs (849 less 801) that were allocated but had not applied for and received ARP ESSER funds on or before March 31, 2023, were not covered by our audit.

¹⁵ Federal Register, IFR for ARP ESSER Fund, 86 FR 21199 (effective April 22, 2021).

and should be no more than 90 days after the LEAs received their ARP ESSER allocation. Following Department guidance, a reasonable deadline for plan submissions would have been October 5, 2021 (90 days after the LEAs received their ARP ESSER allocation). Table 1 provides summary information regarding the timing of LEA ARP ESSER plan submissions.

Table 1. Timing of LEA ARP ESSER Plan Submissions to Illinois

Days After Allocation that LEA ARP ESSER Plan Was Submitted to Illinois	Number of LEAs	Percentage ¹⁶
0–90 days	367	46 percent
91–180 days	183	23 percent
181–270 days	125	16 percent
271–360 days	103	13 percent
361–450 days	12	2 percent
451–540 days	10	1 percent
541–630 days	1	0 percent
Total	801	-

Source: OIG Analysis of IWAS system data provided by Illinois.

Illinois requested clarity and guidance from the Department regarding the LEA ARP ESSER plan submission deadline. In its response, the Department referred Illinois to the IFR for ARP ESSER which states that the SEA must establish a deadline for an LEA to submit its plan that is reasonable and should be no more than 90 days after receiving its ARP ESSER allocation. As the SEA, Illinois was responsible for establishing a reasonable deadline for LEAs to submit their ARP ESSER plans. Illinois’ Deputy Education Officer for Operational Education and Executive Director of Regulatory Services told us that the August 31, 2024, deadline for plan submissions was chosen because Illinois thought it was best for their LEAs given the challenges of the coronavirus pandemic.

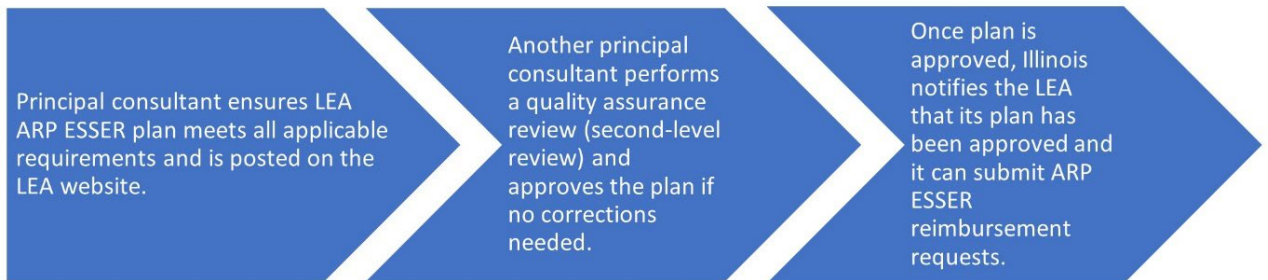
¹⁶ The percentages in this table do not total to 100 percent due to rounding.

Illinois' Review and Approval of LEA ARP ESSER Plans

Illinois required LEAs to submit a grant application for ARP ESSER funds through the IWAS system. As part of the ARP ESSER grant application process, Illinois required LEAs to submit a use of funds plan¹⁷ and website address to access the plan, ARP ESSER budget (along with a statement that funds will be used for the purposes listed in section 18003(d) of the CARES Act, section 313(d) of CRRSAA, and section 2001(e) of ARP), and details of their subcontracts, if applicable. LEAs were also required to submit signed assurances that they will follow all applicable Federal and State requirements.

Principal consultants within Illinois' Title Grant Administration office were responsible for reviewing and approving LEAs' ARP ESSER grant applications, including their use of funds plans, spending plan budgets, and assurances forms in the IWAS system. LEA ARP ESSER grant applications and plans had to go through two levels of review before Illinois approved them and made ARP ESSER funds available to LEAs. Illinois' process for reviewing and approving plans is summarized in Figure 1 and further described in the section that follows.

Figure 1. Summary of Illinois' Processes for Reviewing and Approving LEA ARP ESSER Plans



Principal Consultants' Review of LEA ARP ESSER Plans

The principal consultants within Illinois' Title Grant Administration office (plan reviewers) reviewed the LEA ARP ESSER plans to ensure that they included required information in key areas and otherwise met all applicable requirements and summarized the results of their reviews. Once the first reviewer was satisfied that the plan met all requirements, the plan was reviewed by another principal consultant as part of a second-level, quality assurance review. The plan (and application package) was

¹⁷ Illinois also required its LEAs to submit a Safe Return to In-Person Instruction plan. For this audit, we limited our review to LEAs' use of funds plans and related spending plan budgets.

considered approved by Illinois after the second-level reviewer was satisfied that all requirements were met. LEAs were notified in the IWAS system when their plans were approved, at which time the LEAs could submit requests to Illinois for ARP ESSER funds (reimbursement funding method). We reviewed the summary results to verify that Illinois approved an ARP ESSER plan for the 801 LEAs that had applied for and received ARP ESSER funds on or before March 31, 2023, and to assess the rigor of Illinois’ plan review and approval process, including how often and why it did not approve plans. We determined that Illinois approved an ARP ESSER plan for all 801 (100 percent) LEAs.

We concluded that Illinois’ plan review and approval process was of sufficient rigor based on the high number of reviews performed, the various reasons for not initially approving plans, and the overall scrutiny that the principal consultants applied for each requirement. Illinois performed more than 3,300 reviews for the 801 LEAs, an average of more than 4 reviews per LEA. Only 19 (2 percent) of 801 LEAs had their plans approved by Illinois on the first review. Eighteen (2 percent) LEAs had their plans reviewed 10 or more times before Illinois approved them, further demonstrating the rigor of Illinois’ review and approval process (see Table 2).

Table 2. Number of Times Illinois Reviewed LEA ARP ESSER Plans Before Approval

Number of Times Illinois Reviewed Plan Before Approval	Number of LEAs	Percentage
1	19	2 percent
2 to 3	314	39 percent
4 to 6	373	47 percent
7 to 9	77	10 percent
10 to 13	18	2 percent
TOTAL	801	100 percent

Source: OIG Analysis of IWAS system data provided by Illinois.

Principal consultants used a checklist, comprised of yes or no questions for each applicable requirement, to guide their reviews.¹⁸ The plan reviewer checked yes if the information provided met a requirement or no if the information provided did not meet

¹⁸ The first- and second-level reviewers used different checklists to guide their reviews. The second-level reviewer used a quality assurance checklist.

a requirement. If there was a no response for any requirement on the checklist, the plan reviewer returned the plan to the LEA (by declining the application package) and provided detailed feedback to the LEA on what needed to be corrected or added. The LEA then refined its plan and resubmitted its ARP ESSER application package until the plan reviewer was satisfied that all applicable requirements were met. During their reviews, the plan reviewers were primarily focused on verifying that the LEA ARP ESSER plans were posted on the LEA website, were in an understandable and uniform format accessible to all parents, and included sufficient information in the following areas, as required by the IFR for ARP ESSER:¹⁹

1. The extent to which and how the funds will be used for prevention and mitigation strategies that are, to the greatest extent practicable, in line with the most recent Centers for Disease Control guidance, to continuously and safely operate schools for in-person learning.
2. How the LEA will use the funds it reserves under section 2001(e)(1) of ARP to address the academic impact of lost instructional time through the implementation of evidence-based interventions (20 percent learning loss).
3. How the LEA will ensure that its implemented interventions, including but not limited to the interventions under section 2001(e)(1) of ARP to address the academic impact of lost instructional time, will respond to the academic, social, emotional, and mental health needs of all students.
4. How the LEA will engage in meaningful consultation with stakeholders and seek public input as it develops the LEA ARP ESSER plan.
5. How the LEA will spend its remaining ARP ESSER funds consistent with section 2001(e)(2) of ARP.

Reasons why Illinois did not approve LEA ARP ESSER plan submissions included, but were not limited to, missing or incomplete information regarding how the LEA would use funds, unallowable expenditures in budgets, budgeted items that did not have an academic impact, and missing allocations for learning loss.

ARP ESSER Plans for Selected LEAs, including Chicago and Waukegan

We reviewed the ARP ESSER plans for 16 LEAs to determine whether they met applicable requirements, including the requirements that plans be posted on the LEA website, be in an understandable and uniform format and accessible to all parents, and

¹⁹ Federal Register, IFR for ARP ESSER, 86 FR 21198-21199.

adequately describe how funds will be used and how the LEA engaged in meaningful consultation with stakeholders. We determined that the plans for all 16 (100 percent) LEAs were posted on LEA websites and all but one (94 percent) of those plans included all required information in the plans. The posted plan for one LEA did not adequately describe how the LEA planned to use ARP ESSER funds, contrary to the IFR for ARP ESSER (86 FR 21198).²⁰ Although the ARP ESSER plan posted on the LEA's website was missing key information on how the LEA planned to use its ARP ESSER funds, we verified that the plan that Illinois reviewed and approved for the LEA included that information and concluded that the LEA had posted an incomplete version of its plan. About a month after we informed Illinois of this issue, we accessed the plan posted on the LEA's website. We saw that the plan included all required information on how the LEA planned to use its ARP ESSER funds and thus considered the issue resolved.

For 2 of the 16 LEAs (Chicago and Waukegan), we reviewed additional information, which in part included the LEAs' ARP ESSER grant applications, plan approval documents, and related correspondence, to verify that Illinois followed its established processes for reviewing and approving LEA ARP ESSER plans and was consistent in how it reviewed and approved the two plans. We also reviewed the checklists that Illinois plan reviewers used during their reviews of the LEAs' ARP ESSER applications and plans, correspondence between Illinois and the LEAs (including Illinois' reasons for not initially approving the plans), and the plan submission history from initial submission to final approval. Illinois reviewed the plans for Chicago and Waukegan five times each before approving them. We determined that Illinois followed its established processes and was consistent in how it reviewed and approved the plans for Chicago and Waukegan. We also determined that both LEAs submitted their plans to Illinois within 90 days of receiving their ARP ESSER allocations.

Principal Consultants' Review of LEA ARP ESSER Spending Plan Budgets and Assurances

As part of their ARP ESSER application package, Illinois required LEAs to submit a spending plan budget and signed assurances forms in the IWAS system. Illinois required an authorized LEA official to electronically sign the ARP ESSER Assurances form and five

²⁰ The plan posted on the LEA's website did not describe how the LEA will use ARP ESSER funds to implement prevention and mitigation strategies to safely open and operate schools for in person learning, address the academic impact of lost instructional time, and respond to the academic, social, emotional, and mental health needs of all students.

other assurances forms in IWAS.²¹ By signing the assurances forms, the LEAs promised to comply with applicable State and Federal requirements while administering ARP ESSER funds. The principal consultants within Illinois' Title Grant Administration office then accessed IWAS and verified that the LEA had submitted its spending plan budget and required assurances forms and that there were no issues. LEA ARP ESSER application packages were fully approved once the principal consultants had completed their reviews of the ARP ESSER plan, spending plan budget, and assurances forms and had not identified any issues.

The spending plan budget is a form in IWAS with fields for cost accounting codes and descriptions, budgeted amounts, and expenditure narratives. The LEA ARP ESSER application included a specific section for the LEA to input the same information for the 20 percent of ARP ESSER funds reserved for learning loss. IWAS has controls to ensure that LEAs correctly input their spending plan budgets and that basic requirements are met, which include having preloaded budget categories that align with approved ARP ESSER cost accounting codes and a designated section to account for the 20 percent of funds reserved for learning loss.

A non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that it is managing the award in compliance with Federal statutes, regulations, and the terms and conditions of its award (2 Code of Federal Regulations (C.F.R.) section 200.303(a)). These internal controls should be compliant with the Comptroller General of the United States' guidance in the U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (September 2014) or the Committee of Sponsoring Organizations of the Treadway Commission's *Internal Control Integrated Framework*. One component of internal control is control activities. Section 10.01 of GAO's *Standards for Internal Control in the Federal Government* states that management should design control activities to achieve objectives and respond to risks.

While we recognize that the coronavirus pandemic presented challenges for LEAs and that establishing deadlines can be difficult, the Department urged SEAs and LEAs to deploy ARP ESSER funds quickly to address the impacts of the pandemic on school communities. Illinois' deadline for LEAs to submit their ARP ESSER plans was not reasonable according to Department guidance and led to more than half of the LEAs

²¹ The other forms covered assurances and certifications related to (1) the grant application and State requirements; (2) debarment, suspension, ineligibility, and voluntary exclusion; (3) lobbying; (4) General Education Provision Act, Section 442; and (5) Grant Accountability and Transparency Act.

submitting their plans late or not at all. As a result, some LEAs may not have received critical ARP ESSER funds timely or early enough to adequately respond to the impacts of the coronavirus pandemic by addressing students' academic, social, emotional, and mental health needs.

Recommendation

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

- 1.1. Direct any LEAs that have not yet applied but plan to apply for ARP ESSER funds, to submit their ARP ESSER grant applications and plans to Illinois as soon as possible.

Illinois' Comments

Illinois agreed with the finding and recommendation. Illinois stated that it has and will continue to encourage the remaining LEAs to submit their ARP ESSER applications and plans and will provide technical support to those LEAs until their submissions are received.

OIG Response

Illinois' proposed actions, if implemented as described, are responsive to our recommendation.

Finding 2. Illinois' Process for Reviewing LEA ARP ESSER Reimbursement Requests Could Be Strengthened in a Key Area

Illinois' process for reviewing LEA ARP ESSER reimbursement requests could be strengthened in a key area to provide additional assurance that LEAs use ARP ESSER funds for allowable purposes. Illinois monitored LEAs' use of ARP ESSER funds, in part, by reimbursing LEAs after verifying that their reimbursement request aligned with the approved budget and did not exceed the amount awarded (reimbursement process); reviewing performance reports each year to verify that the deliverables aligned with the LEAs' approved ARP ESSER plans, budgets, and reimbursements for the period (performance review process); and conducting annual monitoring of selected LEAs based on their overall risk, which includes a review of ARP ESSER expenditures (ARP ESSER monitoring process). While Illinois has been consistent in how it oversees LEAs' use of ARP ESSER funds, it does not request or review any supporting documentation (such as contracts, receipts, and invoices) from LEAs as part of its review of LEA reimbursement requests.

We reviewed a total of 26 ARP ESSER expenditures for Chicago and Waukegan (13 expenditures for each LEA) to determine whether they used ARP ESSER funds in accordance with applicable requirements and the approved ARP ESSER plan. We determined that all (100 percent) expenditures reviewed were in accordance with applicable requirements and the approved LEA ARP ESSER plan.

Illinois' Oversight of LEA MOEquity Requirements

Illinois published on its website the names of the LEAs receiving an ARP ESSER MOEquity exception and the reasons for those exceptions, in accordance with the final requirements for the ARP ESSER Fund.²² Illinois also published on its website the names of the LEAs that were exempt from the MOEquity requirements. For FY 2022, all but 1 of the 801 LEAs were either exempt from MOEquity requirements or received an ARP ESSER MOEquity exception. The one LEA required to maintain equity in accordance with program requirements provided Illinois with information to support that it did so during FY 2022. For FY 2023, all 801 (100 percent) LEAs were either exempt from the MOEquity requirements or received an ARP ESSER MOEquity exception. For FY 2022, Illinois required all LEAs to submit an exemption survey to determine if they were eligible for an exemption, exception, or special waiver from the Department. For FY 2023, Illinois

²² Federal Register, Final Requirements for ARP ESSER Fund, 87 FR 34790.

identified the LEAs that were exempt and did not require LEAs to submit an exemption survey to Illinois or the Department.

For an LEA seeking a MOEquity exception for an exceptional or uncontrollable circumstance, and where there was no aggregate reduction in State and local per-pupil funding, Illinois required the LEA to submit a signed LEA Certification of Exception from Local Maintenance of Equity Requirements form to Illinois. For an LEA seeking a waiver from the Department for an exceptional or uncontrollable circumstance, Illinois instructed the LEA to include the waiver request on the exemption survey and provide that information to the Department (and Illinois) for consideration. Chicago and Waukegan requested an ARP ESSER MOEquity exception for an exceptional or uncontrollable circumstance with no aggregate reduction in State and local per-pupil funding for FYs 2022 and 2023 and authorized officials from both LEAs signed and submitted the required certifications to Illinois. We concluded that both LEAs provided the required documentation and certifications to support their exception requests.

Technical Assistance and Guidance Provided to LEAs

Illinois provided technical assistance and guidance to LEAs, in part, through dissemination of Frequently Asked Questions documents (prepared by the Department), its website, and webinars. The technical assistance and guidance provided to LEAs covered various ARP ESSER topics, including allowable uses of ARP ESSER funds, ARP ESSER annual reporting, and ARP ESSER MOEquity requirements. Illinois provided a large portion of this technical assistance and guidance to LEAs before LEAs could access their ARP ESSER funds. Illinois continued to provide ongoing technical assistance and guidance to LEAs after the LEAs received their allocations and ahead of key MOEquity and reporting deadlines. We determined that Illinois communicated clear, accurate, and timely guidance and technical assistance to LEAs regarding allowable uses of ARP ESSER funds, annual reporting requirements, and the applicable MOEquity requirements.

Illinois' Processes for Monitoring LEAs' Use of ARP ESSER Funds

Illinois monitored LEAs' use of ARP ESSER funds through its reimbursement, performance review, and ARP ESSER monitoring processes. These processes are described in the next three sections, respectively.

Reimbursement Process

Illinois reimburses LEAs for their ARP ESSER expenditures in the same way it reimburses LEAs for their other Federal grant expenditures. Illinois requires an LEA to submit an Electronic Expenditure Report (EER) form through the EER component of IWAS to be reimbursed for its ARP ESSER expenditures. The EER form pre-populates the total ARP

ESSER budget amount for the LEA and cash vouchered to date (reimbursement payments made to date). The LEA is required to enter the amount of funds spent to date by related budget function and object codes on the EER form. Only LEA officials with proper authorization and permissions in IWAS, as granted by the LEA superintendent or IWAS administrator, can enter data on and submit an EER form on the LEA's behalf. Once the LEA official enters the expenditure data, the current reimbursement request amount (amount spent to date less cash vouchered to date) is automatically calculated on the EER form. The EER component of IWAS tracks ARP ESSER grant payments and has automated checks to ensure that an LEA is not reimbursed for more than it was awarded. Once the EER form passes all automated checks and is accepted in IWAS, Illinois' Funding and Disbursements Department initiates a transfer of the LEA's expenditure data into Illinois' Financial Reimbursement Information System. Illinois' Funding and Disbursements Department then creates a voucher for the LEA's reimbursement payment. Each week, the Director of the Funding and Disbursements Department certifies all vouchers generated during that particular week and sends them to Illinois' Department of Fiscal Support for payment. The Department of Fiscal Support then draws down ARP ESSER funds from the Department's G5 system and processes payments to the LEAs.²³

Illinois incorporated useful controls into its reimbursement process, including verifying that key information on the EER form (for example, approved budget amount and cash vouchered to date) was correct, LEA assurance documents were properly submitted and approved in IWAS, and an authorized LEA official submitted the reimbursement request. However, Illinois' process could be strengthened by requiring LEAs to provide a listing of their ARP ESSER expenditures and supporting documentation for a sample of those expenditures (as requested by Illinois) as part of their reimbursement request. Without this information, it would be difficult for Illinois to reasonably assure that the expenditures for which the LEAs are seeking reimbursement are allowable and properly accounted for, and there is an increased risk that Illinois will not identify or become aware of significant compliance issues involving the ARP ESSER program. LEAs' misuse or mismanagement of ARP ESSER funds reduces the funds available for students and schools that need them.

²³ We reviewed eight reimbursement requests for Chicago and Waukegan (four for each LEA) and verified that Illinois followed its established reimbursement process when reviewing the reimbursement requests for, and making reimbursement payments to, the two LEAs.

The ARP ESSER program was considered a higher risk program for 2022 and 2023 according to 2 C.F.R. section 200.519(c)(2).²⁴ The Pandemic Response Accountability Committee stated that the unprecedented amount of money made available for pandemic relief and the quick distribution of most funds put the money at a higher risk for fraud.²⁵ Further, ARP ESSER funds can be used for a wide range of activities spanning multiple coronavirus response and relief laws. This scenario, in conjunction with Illinois not reviewing supporting documentation on at least a sample basis, could allow for the unintentional or intentional misuse of ARP ESSER funds by grantees and subgrantees and result in fraud, waste, and abuse going undetected. Without additional controls over the LEA reimbursement request process, Illinois may fail to properly address these heightened risks, leaving ARP ESSER funds at greater risk of misuse.

Illinois senior officials told us that to address the heightened risk associated with ARP ESSER funds, Illinois expanded the ESSER expenditure testing that it performs during annual monitoring reviews to include expenditures from all years of ESSER instead of only testing expenditures from the most current year. The officials also told us that since ESSER's inception, Illinois has always assessed ESSER at the highest risk level and reviewed ESSER expenditures during LEA monitoring visits. Expanding testing to include expenditures from all ESSER years could help Illinois identify unintentional or intentional misuse of ARP ESSER funds by the roughly 10 percent of LEAs selected for monitoring each year, but generally would not cover the other 90 percent of LEAs that are not subject to monitoring each year. Reviewing a sample of ARP ESSER expenditures and related supporting documentation for LEAs at the time of their reimbursement requests would subject more LEAs to Illinois' oversight and could help Illinois identify unallowable costs more often or earlier than if it had waited to review expenditures at year-end as part of its annual monitoring.

Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that they are managing the award in compliance with Federal statutes, regulations, and the terms and conditions of the

²⁴ Federal agencies, with the concurrence of the Office of Management and Budget, may identify Federal programs that are higher risk and identify them as such in the Compliance Supplement. The ARP ESSER program was identified as a higher risk program in the Office of Management and Budget's 2 C.F.R. Part 200, Appendix XI, Compliance Supplement, dated April 2022 and May 2023.

²⁵ The CARES Act established the Pandemic Response Accountability Committee within the Council of Inspectors General on Integrity and Efficiency, the oversight and coordination body for the Inspector General community.

award (2 C.F.R. section 200.303(a)). State grantees (pass-through entities) are required to establish monitoring priorities based on the risks posed by each subgrantee and monitor the fiscal activity of subgrantees as necessary to ensure that the subaward is used for authorized purposes and complies with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved (2 C.F.R. section 200.332(b) and (d)). In addition, section 10.01 of GAO's *Standards for Internal Control in the Federal Government*, states that management should design control activities to achieve objectives and respond to risks.

Performance Review Process

Each year, a team within Illinois' Title Grant Administration office reviews performance information for all LEAs. Within 30 days after the end of each annual reporting period, Illinois requires LEAs to submit a Grant Periodic Performance Report (performance report) that describes the deliverables achieved with grant funds and the results and impacts of those deliverables during the reporting period.²⁶ According to the Director of Title Grant Administration, the Title Grant Administration team reviews the LEA performance reports to verify that the deliverables aligned with the LEAs' approved ARP ESSER plans, budgets, and reimbursements for the period. If the team identifies issues with a performance report, the report is returned to the LEA for follow-up. We verified that Chicago and Waukegan provided Illinois with all required performance reports applicable to our audit period. Each LEA submitted two performance reports to Illinois: one for the reporting period ended December 31, 2021, and one for the reporting period ended June 30, 2022. We reviewed the performance reports for Chicago and Waukegan and correspondence between the LEAs and Illinois and determined that Illinois followed its established processes when reviewing and approving the performance reports for both LEAs.²⁷

ARP ESSER Monitoring Process

Illinois incorporated procedures for reviewing ARP ESSER expenditures into its existing monitoring process for all Federal and State programs. It added procedures to select and test ARP ESSER expenditures for allowability and compliance with applicable requirements. Illinois' Federal and State Monitoring Department, composed of

²⁶ Prior to FY 2023, Illinois required LEAs to submit the performance report every 6 months.

²⁷ Illinois approved both Waukegan performance reports on the first submission. Chicago had to submit both of its performance reports multiple times before Illinois approved them. Illinois told Chicago what information needed to be corrected and Chicago made the necessary corrections.

15 employees, is responsible for monitoring Federal and State grant programs, including ARP ESSER. Illinois executed 2 contracts with a third-party company to perform the monitoring for the 10 largest LEAs (in terms of total funding) in the State. The third-party contractor is responsible for monitoring Chicago (the largest LEA in Illinois) each year and the next nine largest LEAs over a 3-year period (three monitoring reviews per year for 3 years). All other monitoring reviews are performed by Illinois' Federal and State Monitoring Department. Collectively, Illinois and its third-party contractor completed 79 monitoring reviews in FY 2022 and expect to complete 88 monitoring reviews in FY 2023 (78 reviews were completed as of November 2023).

Illinois conducted a formal risk assessment and used a risk assessment tool²⁸ to help determine how many and which LEAs to select for ARP ESSER monitoring. Monitoring reviews were either conducted on-site at the LEA's office or remotely. The monitoring processes, tools, and checklists used by reviewers were the same regardless of how the review was performed (on-site or remote) or who performed the review (Illinois or third-party contractor). For each LEA selected for review, Illinois or its third-party contractor conducted interviews with LEA personnel responsible for administering and managing ARP ESSER funds and tested a sample of ARP ESSER expenditures for allowability and compliance with applicable requirements. The monitoring teams ensured that they tested at least 10 percent of all ARP ESSER expenditures (in accordance with established Illinois procedures) and reviewed supporting documentation, as needed. They held an exit conference with each LEA and then prepared and provided the LEA with a final report that identified the deficiencies noted during the monitoring review and the required corrective actions that the LEA must take in response to those deficiencies.

According to Illinois' Director of Federal and State Monitoring, Illinois' monitoring teams identified 124 and 170 ESSER-related findings in FY 2022 and FY 2023, respectively. Across multiple LEAs, Illinois identified seven questioned costs totaling over \$90,000 in FY 2022 and eight questioned costs totaling over \$301,000 in FY 2023. The questioned costs, in part, included costs for a mobile video gaming theater, entertainment, and meetings that Illinois determined were not allowable under ARP ESSER. Illinois followed up with the LEAs and verified that they took appropriate corrective actions. We concluded that Illinois' ARP ESSER monitoring was designed and implemented in a way

²⁸ The risk assessment tool incorporated the following risk indicators: Internal Control Questionnaire risk score, amount of funding received, date of last review, number of single audit findings and questioned costs, LEA financial status, and referral risk score based on feedback from other Illinois' program staff.

that enabled it to identify and select high-risk LEAs for review and detect instances of noncompliance during monitoring reviews.

Review of ARP ESSER Expenditures at Chicago and Waukegan

We reviewed samples of ARP ESSER expenditures at Chicago and Waukegan to determine whether they used ARP ESSER funds in accordance with applicable requirements and the approved ARP ESSER plan.²⁹ We determined that all (100 percent) expenditures reviewed were in accordance with applicable requirements and the approved LEA ARP ESSER plan.

Chicago

We reviewed 13 ARP ESSER expenditures totaling \$11,985,312. These generally included expenditures for payroll, digital curricula, repairs and maintenance, and technology such as laptops and laptop charging stations. We determined that all 13 (100 percent) expenditures were in accordance with applicable requirements (allowable) and Chicago's approved ARP ESSER plan.

Waukegan

We reviewed 13 ARP ESSER expenditures totaling \$5,036,914. These generally included expenditures for payroll, employee retention, service contracts for speech pathologists, digital curricula, professional development, and repairs and maintenance. We determined that all 13 (100 percent) expenditures were in accordance with applicable requirements (allowable) and Waukegan's approved ARP ESSER plan.

Recommendation

We recommend that in order to address the heightened risk associated with ARP ESSER funds, the Assistant Secretary for the Office of Elementary and Secondary Education require Illinois to—

- 2.1. Design and incorporate into its documented procedures for reviewing LEA reimbursement requests protocols to sample LEA expenditures charged to ARP ESSER and review supporting documentation to ensure that applicable Federal, State, and local requirements are met.

²⁹ The results of our testing apply only to the samples selected and cannot be projected. See [Scope and Methodology](#) (Sampling Methodology section) for information on how we selected our samples.

Illinois' Comments

Illinois agreed with the finding and recommendation. Illinois stated that it will strengthen its LEA reimbursement request protocol by requiring LEAs to provide a listing of their ARP ESSER expenditures and supporting documentation and selecting a sample of those expenditures for review to determine whether they are allowable. Illinois described at a high level the scope and activities associated with that review, which in part would include extracting LEA expenditure report samples, conducting pre-monitoring fiscal reviews of LEA expenditures against the general ledger and other supporting documentation, and verifying allowable or unallowable expenditure items. Illinois stated that it will strengthen its LEA reimbursement request protocol and incorporate the related activities by June 2024.

OIG Response

Illinois' proposed actions, if implemented as described, are responsive to our recommendation.

Appendix A. Scope and Methodology

Our audit covered Illinois' processes for reviewing and approving LEA ARP ESSER plans and overseeing LEAs' use of ARP ESSER funds from March 24, 2021, through March 31, 2023. To achieve our objectives, we gained an understanding of the following laws, regulations, and guidance relevant to ARP ESSER:

- CARES Act (Public Law 116-136, March 27, 2020), section 18003 ("Elementary and Secondary School Emergency Relief Fund").
- CRRSAA (Public Law 116-260, December 27, 2020), section 313 ("Elementary and Secondary School Emergency Relief Fund").
- ARP (Public Law 117-2, March 11, 2021), sections 2001 ("Elementary and Secondary School Emergency Relief Fund") and 2004 ("Maintenance of Effort and Maintenance of Equity").
- 2 C.F.R. Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
- Office of Management and Budget's 2 C.F.R. Part 200, Appendix XI, Compliance Supplement, April 2022 and May 2023.
- GAO's *Standards for Internal Control in the Federal Government* (September 2014).
- IFR for ARP ESSER (April 22, 2021), 86 FR 21195–21207; and Final Requirements for ARP ESSER Fund (June 8, 2022), 87 FR 34790–34794.
- Department guidance, including the Department's Secretary of Education Letter (March 24, 2021) announcing SEA grant allocations; ARP ESSER Grant Award Assurances; Frequently Asked Questions documents for ARP ESSER Program Maintenance of Equity Requirements (August 6, 2021, and updated on January 23, 2023) and ESSER and Governor's Emergency Education Relief Programs (May 2021, and updated on December 7, 2022); CRRSAA ESSER II Fact Sheet (January 5, 2021); ARP ESSER Fact Sheet (March 2021); slides for the webinar, "Using COVID-Relief Funds for Facility Upgrades, Renovations, and Construction (September 2, 2021); and ED COVID-19 Handbook, Roadmap to Reopening Safely and Meeting All Students' Needs, Volume 2 (2021).

We gained an understanding of Illinois' oversight and monitoring activities through interviews with SEA and LEA officials. We interviewed employees and officials from Illinois, Chicago, and Waukegan who had knowledge of or were responsible for establishing, administering, or monitoring the ARP ESSER program. At Illinois, we

interviewed officials who were responsible for providing guidance and technical assistance to LEAs, reviewing and approving LEA ARP ESSER plans and budgets, and monitoring LEAs' use of ARP ESSER funds. To assess the reliability of the testimonial evidence, we compared information obtained from interviews with records related to Illinois' oversight and monitoring activities when provided by the interviewees. We concluded that the testimonial evidence we obtained was sufficiently reliable within the context of our audit objectives.

We also gained an understanding of Illinois' oversight and monitoring activities through reviews of relevant documents and records. We reviewed documents identifying Illinois' offices and staff who had a role in establishing, administering, or monitoring the ARP ESSER program. We reviewed and evaluated the guidance and technical assistance (such as weekly messages and notifications, webinars, and other presentations) that Illinois provided to LEAs regarding ARP ESSER plans and spending. We also reviewed narratives to further our understanding of how Illinois monitored LEAs' use of ARP ESSER funds, including through its MOEquity determinations and reimbursement, performance review, and ARP ESSER monitoring processes. Additionally, we reviewed and evaluated the tools that Illinois used to monitor LEA ARP ESSER plans and LEAs' use of ARP ESSER funds, including reviewer checklists, standardized forms and templates, and risk assessment framework. The purposes of these document reviews were to gain an understanding of how Illinois administered and monitored ARP ESSER funds and assess the adequacy of those activities within the context of the audit objective. We also gained an understanding of Chicago's and Waukegan's processes for reviewing and approving ARP ESSER expenditures, which was generally done to help us complete our review of expenditures at the two LEAs in a timely and efficient manner and identify the cause of any deficiencies that might have been identified during our review (no deficiencies were identified for Chicago and Waukegan).

Review of Illinois' Oversight of LEA ARP ESSER Plans. We reviewed the summary results from Illinois' review of LEA ARP ESSER application and plan submissions to verify that Illinois approved the plans for all 801 LEAs that had applied for and received ARP ESSER funds on or before March 31, 2023, and assess the rigor³⁰ of Illinois' LEA ARP ESSER plan

³⁰ For purposes of assessing the rigor of Illinois' plan review and approval processes, we considered the number of reviews that Illinois performed, the reasons why Illinois did not initially approve plans, and the overall scrutiny that the plan reviewers applied for each requirement.

review and approval processes. We also reviewed the ARP ESSER plans for 16 LEAs³¹ to determine whether they met applicable requirements, including the requirements that plans be posted on the LEA website, be in an understandable and uniform format and accessible to all parents, and adequately describe how funds will be used and how the LEA engaged in meaningful consultation with stakeholders. For 2 of the 16 LEAs (Chicago and Waukegan), we reviewed additional documentation (such as ARP ESSER grant applications, plan approval documents, and related correspondence) to verify that Illinois followed its established ARP ESSER plan review and approval process and was consistent in how it reviewed and approved the two plans.

Review of Illinois' Oversight of LEAs' Use of ARP ESSER Funds. We reviewed samples of ARP ESSER expenditures at Chicago and Waukegan to determine whether they used ARP ESSER funds in accordance with applicable requirements. Specifically, we reviewed each sampled expenditure to determine whether it was (a) connected to the pandemic, (b) authorized under applicable regulations, and (c) reasonable and necessary in accordance with 2 C.F.R. Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. We also reviewed each expenditure to determine whether it aligned with the LEAs' approved ARP ESSER plans. Lastly, we reviewed the LEAs' procurement activities for each expenditure to verify that the LEAs followed their established processes in this area. See the [Sampling Methodology](#) section for additional information.

Sampling Methodology

To determine whether Illinois had an adequate oversight process to ensure that LEAs used ARP ESSER funds in accordance with applicable requirements and their approved ARP ESSER plans, we selected 2 LEAs from the universe of 801 LEAs that had applied for and received ARP ESSER funds on or before March 31, 2023, and tested a total of 26 expenditures for the 2 LEAs (13 expenditures for each LEA). To select the 2 LEAs for review, we first limited the universe of LEAs eligible for selection to the 10 LEAs with the largest ARP ESSER allocations. We then judgmentally selected for review the LEA with the largest ARP ESSER funding allocation (Chicago). For the second LEA, we limited the universe of LEAs eligible for selection to those LEAs that had spent at least 30 percent of their ARP ESSER allocation as of December 31, 2022. From the limited universe of four LEAs, we judgmentally selected an LEA (Waukegan) that had expenditures of different types, including expenditures for technology, capital improvements, and learning loss.

³¹ We selected the 16 LEAs for review because they were the 16 largest LEAs in terms of awarded ARP ESSER funds.

For Chicago, we selected (using both judgmental and random sampling) a nonstatistical sample of 13 ARP ESSER expenditures from a total population of 1,465,509 ARP ESSER expenditures as of March 31, 2023. The 13 expenditures represented \$11,985,312 (2 percent) of the \$660,251,221 in total ARP ESSER expenditures. To select our sample, we first removed from the universe any expenditures that were less than \$5,000. Next, we divided the expenditures into two strata: one for learning loss (totaling \$152,730,974) and one for all other expenditures (totaling \$105,659,234). We then selected samples as follows:

- From the learning loss population, we judgmentally selected three expenditures, totaling \$10,904,470. We selected these expenditures because they were high dollar, had unclear descriptions, or both.
- From the other expenditures population, we selected 10 expenditures, totaling \$1,080,842. First, we judgmentally selected three expenditures, totaling \$1,036,196. We selected these expenditures because they were high dollar, had unclear descriptions, or both. Next, from the remaining population we randomly selected seven expenditures, totaling \$44,646.

For Waukegan, we selected (using both judgmental and random sampling) a nonstatistical sample of 13 ARP ESSER expenditures (2 percent) from a total population of 820 ARP ESSER expenditures as of March 31, 2023. The 13 expenditures represented \$5,036,914 (20 percent) of the \$25,486,819 in total ARP ESSER expenditures. To select our sample, we first divided the expenditures into two strata: one for learning loss (totaling \$8,730,281) and one for all other expenditures (totaling \$16,756,538). Next, we removed from each stratum any expenditures that were less than \$5,000. After removing these items, the learning loss population and other expenditures population totaled \$8,690,146 and \$16,396,006, respectively. We then selected samples as follows:

- From the learning loss population, we randomly selected three expenditures, totaling \$115,353.
- From the other expenditures population, we selected 10 expenditures, totaling \$4,921,560. First, we judgmentally selected three expenditures, totaling \$2,754,961. We selected these expenditures because they were high dollar, had unclear descriptions, or both. Next, from the remaining population we randomly selected seven expenditures, totaling \$2,166,599.

The results of our testing apply only to the samples selected and cannot be projected.

Use of Computer-Processed Data

We relied, in part, on computer-processed data (spreadsheets) from Chicago’s and Waukegan’s accounting systems. We obtained the universe of ARP ESSER expenditures as of March 31, 2023, for Chicago and Waukegan. We used the universes to select samples of expenditures for detailed testing to determine whether the two LEAs used their ARP ESSER funds in accordance with applicable requirements and their approved ARP ESSER plans. To assess the completeness of the data for both LEAs, we compared the total expenditures in the LEA spreadsheets to the total expenditures that the LEAs reported in their EER forms as of March 31, 2023. To assess the reliability of expenditure data for both LEAs, we reviewed supporting documentation, such as invoices and payroll records, for our sample of 26 expenditures (13 expenditures for each LEA). We did not identify any issues and concluded that the data from Chicago’s and Waukegan’s accounting systems were reliable for their intended use.

Internal Controls

We obtained an understanding of all five areas of internal control (control environment, risk assessment, control activities, information and communication, and monitoring) as they relate to Illinois’ processes for ensuring that LEA ARP ESSER plans meet applicable requirements and LEAs use ARP ESSER funds in accordance with applicable requirements and their approved LEA ARP ESSER plans. At the SEA level, we limited our internal control work to the two areas we deemed significant to the audit objective: risk assessment and control activities.

- Risk assessment—risk identification, analysis of risk, responses to risk, including consideration of the potential for fraud.
- Control activities—design of appropriate types of control activities, design of control activities at various levels, documentation of responsibilities through policies, and periodic review of control activities.

At the LEA level, we limited our internal control work to gaining an understanding of the LEAs’ processes (controls) within the context of the individual expenditures selected for testing which would help us determine the underlying cause for any identified deficiencies.

As discussed in the findings, we concluded that Illinois’ process (control activities) for ensuring that LEA ARP ESSER plans met applicable requirements was generally adequate but did not ensure that plans were submitted within a reasonable timeframe ([Finding 1](#)) and its process for reviewing and approving LEA ARP ESSER reimbursement requests could be strengthened in a key area ([Finding 2](#)).

Compliance with Standards

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 objectives.

We remotely conducted our audit from April 2023 through January 2024. We discussed the results of our audit with Illinois officials on January 9, 2024.

Appendix B. Allowable Uses of ESSER Funds

Activities that an LEA may support with ESSER funds available include the following.³²

1. Any activity authorized by the ESEA, including the Native Hawaiian Education Act and the Alaska Native Educational Equity, Support, and Assistance Act (20 United States Code (U.S.C.) 6301 et seq.).
2. Any activity authorized by the Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.).
3. Any activity authorized by the Adult Education and Family Literacy Act (AEFLA) (29 U.S.C. 3271 et seq.).
4. Any activity authorized by the Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2301 et seq.).
5. Any activity authorized by subtitle B of title VII of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11431 et seq.).
6. Coordinating preparedness and response efforts of LEAs with State, local, Tribal, and territorial public health departments, and other relevant agencies, to improve coordinated responses among such entities to prevent, prepare for, and respond to COVID-19.
7. Providing principals and other school leaders with the resources necessary to address the needs of their individual schools.
8. Activities to address the unique needs of low-income children or students, students with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and children and youth in foster care, including how outreach and service delivery will meet the needs of each population.
9. Developing and implementing procedures and systems to improve the preparedness and response efforts of LEAs.
10. Training and professional development for staff of the LEA on sanitation and minimizing the spread of infectious diseases.
11. Purchasing supplies to sanitize and clean the facilities of the LEA, including buildings operated by such LEA.
12. Planning for, coordinating, and implementing activities during long-term closures, including providing meals to eligible students, providing technology for online

³² Per section 18003(d) of the CARES Act, section 313(d) of CRRSAA, and section 2001(e) of ARP.

learning to all students, providing guidance for carrying out requirements under the IDEA and ensuring other education services can continue to be provided consistent with all Federal, State, and local requirements.

13. Purchasing educational technology (including hardware, software, and connectivity) for students who are served by the LEA that aids in regular and substantive educational interaction between students and their classroom instructors, including low-income students and students with disabilities, which may include assistive technology or adaptive equipment.
14. Providing mental health services and supports, including through the implementation of evidence-based full-service community schools.
15. Planning and implementing activities related to summer learning and enrichment and supplemental after-school programs, including providing classroom instruction or online learning during the summer months and addressing the needs of low-income students, students with disabilities, English learners, migrant students, students experiencing homelessness, and children and youth in foster care.
16. Addressing the academic impact of lost instructional time among an LEA's students, including low-income students, students with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and children and youth in foster care, including by
 - a. administering and using high-quality assessments that are valid and reliable to accurately assess students' academic progress and assist educators in meeting students' academic needs, including through differentiating instruction;
 - b. implementing evidence-based activities to meet the comprehensive needs of students;
 - c. providing information and assistance to parents and families on how they can effectively support students, including in a distance learning environment; and
 - d. tracking student attendance and improving student engagement in distance education.
17. School facility repairs and improvements to enable operation of schools to reduce risk of virus transmission and exposure to environmental health hazards, and to support student health needs.
18. Inspection, testing, maintenance, repair, replacement, and upgrade projects to improve the indoor air quality in school facilities, including mechanical and non-mechanical heating, ventilation, and air conditioning systems, filtering, purification

and other air cleaning, fans, control systems, and window and door repair and replacement.

19. Developing strategies and implementing public health protocols including, to the greatest extent practicable, policies in line with guidance from the CDC for the reopening and operation of school facilities to effectively maintain the health and safety of students, educators, and other staff.
20. Other activities that are necessary to maintain the operation of and continuity of services in the LEA and continuing to employ existing staff of the LEA.

Appendix C. Acronyms and Abbreviations

ARP	American Rescue Plan
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CDC	Centers for Disease Control and Prevention
C.F.R.	Code of Federal Regulations
Chicago	Chicago Public School District 299
CRRSAA	Coronavirus Response and Relief Supplemental Appropriations Act
Department	U.S. Department of Education
EER	Electronic Expenditure Report
ESEA	Elementary and Secondary Education Act
ESSER	Elementary and Secondary School Emergency Relief
FY	fiscal year
GAO	Government Accountability Office
IFR	interim final requirements
Illinois	Illinois State Board of Education
IWAS	Illinois Web Application System
LEA	local educational agency
MOEquity	Maintenance of Equity
Performance report	Grant Periodic Performance Report
SEA	State educational agency
U.S.C.	United States Code
Waukegan	Waukegan Community Unit School District 60

Illinois' Comments



Dr. Tony Sanders, State Superintendent of Education
Dr. Steven Isoye, Chair of the Board

555 W. Monroe Street, Suite 900 • Chicago, IL 60661 • isbe.net

March 5, 2024

Ben C. Sanders
Regional Inspector General for Audit
Sacramento Regional Office
501 I Street, Suite 9-200
Sacramento, California 95814

Sent via email

Reference: Control Number ED-OIG/A22CA0133

Dear Mr. Sanders:

The draft audit report, "Illinois' Oversight of Local Educational Agency ARP ESSER Plans and Spending" (Control Number ED-OIG/A22CA0133), was received on Monday, February 26, 2024. We reviewed this report and agreed with the two recommendations as stated within it. See below for further details on each finding and our proposed corrective actions.

Finding 1. Illinois Generally Had Adequate Processes for Reviewing and Approving LEA ARP ESSER Plans, But Did Not Ensure That Plans Were Submitted Within a Reasonable Timeframe

Agree: ISBE determined the creation and posting of the ARP Use of Funds Plan on an LEA's website within 30 days of receiving its application, not its allotment.

Recommendation - 1.1. Direct any LEAs that have not yet applied but plan to apply for ARP ESSER funds to submit their ARP ESSER grant applications and plans to Illinois as soon as possible.

Agree: ISBE will continue outreach efforts and encourage the remaining 10 LEAs that have not applied for ARP ESSER funds or submitted their Use of Fund Plans to do so.

Corrective Action - Illinois recognizes that the release of the application (which contains an LEA's allotment) versus LEAs receiving the allotment (posting the allotment amounts to ISBE's website) would not be recognized as compliant. This process allowed LEAs the time necessary to plan for this unprecedented amount of funds. As of February 23, 2024, ISBE has received 943 out of 953 ARP ESSER grant applications and Use of Fund Plans. ISBE has communicated with the 10 remaining LEA's, requesting that they submit their applications and Use of Funds Plans. The agency, which is offering to provide technical support, will continue such efforts until these submissions are received.

Finding 2. Illinois' Process for Reviewing LEA ARP ESSER Reimbursement Requests Could Be Strengthened in a Key Area

Agree: ISBE recognizes that the review of LEA ARP ESSER reimbursement requests could be strengthened in a key area to provide additional assurance that LEAs use ARP ESSER funds for allowable purposes.

Recommendation - 2.1. Design and incorporate into its documented procedures for reviewing LEA reimbursement requests protocols to sample LEA expenditures charged to ARP ESSER and review supporting documentation to ensure that applicable federal, state, and local requirements are met.

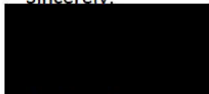
Agree: Illinois requires an LEA to submit an Electronic Expenditure Report (EER) through the EER component of IWAS for ARP ESSER expenditure reimbursement. The director of the Funding and Disbursements Department certifies all vouchers that are generated and sends them to ISBE's Fiscal Support Services Department for draw of funding and transmission to the Illinois Office of the Comptroller, which releases payment.

Corrective Action - Illinois will incorporate and strengthen the LEA reimbursement requests protocol by June 2024. This process will require LEAs to provide a listing of their ARP ESSER expenditures and supporting documentation so that ISBE may sample those expenditures as part of its reimbursement request. This random sampling process would occur during the grant's fiscal year "begin and end date" and "eligible reimbursement period" (per the grant application "overview" page). It would involve, but not be limited to, the following:

- The Funding and Disbursements department will extract LEA expenditure report samples during the review period. This would vary depending on how often the LEA submitted the reports.
- The Federal and State Monitoring department will conduct ARP ESSER pre-monitoring fiscal reviews of an LEA's expenditures against its general ledger. This process would allow ISBE staff members to collect documents and analyze items such as purchase orders, vendor invoices, receipts, contractual service agreements (vendor and dollar amount), payroll documentation, and additional pertinent information.
- The Title Grants department will verify allowable/unallowable expenditure items being questioned by Federal and State Monitoring.

We look forward to the continued partnership.

Sincerely,



Dr. Tony Sanders
State Superintendent of Education