



Pennsylvania
Department of Education

Continuous Improvement Through Monitoring Insights

May 28, 2025

Agenda



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Overview of Monitoring Trends

Common Observations

Monitoring Impact

Technical Assistance Impact

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An LEA's Journey with Subrecipient Monitoring

Michael Leitera - Pennsylvania Distance Learning Charter
School

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It Ends with Us: An Analysis of Trend Reversal

Important Areas of Review (Procurement, Financial Management, and General / Entity Level)
Strategies for Maintaining Compliance in a Post-ESSER World

Continuous Improvements Through Monitoring Insights



Introduction:

While the American Rescue Plan Act Elementary and Secondary School Emergency Relief (ARP ESSER) period of performance is concluding, compliance with federal, state and local regulations remains. In this session, we delve into insights from previous monitoring cycles, focusing on emerging trends observed in cycles 22-23 and 23-24 while incorporating broader insights from the 24-25 cycle.

We will also delve into strategies to reverse the trend on the top observations found throughout cycles. We shall explore each review area and highlight the top observations and strategies to maintain compliance post-ESSER.

Objectives:

1 Overview of Monitoring Cycles

- ☐ A review of past monitoring cycles, highlighting specific takeaways and lessons learned, while incorporating broader insights from the 24-25 monitoring cycle.

2 Continuous Improvement Insights

- ☐ **Trend of Monitoring Observations:** A look into the common observations and leading practices for the following areas of review:
 - ☐ Procurement
 - ☐ Financial Management
 - ☐ Closeout
 - ☐ General / Entity Level Standards
- ☐ **Maintaining Compliance in a Post-ESSER Environment:** A focus on strategies and considerations to keep in mind for developing compliance plans post-ESSER.



1.

Overview of Monitoring Cycles

- ❑ An overview of past monitoring cycles, emphasizing specific takeaways and lessons learned, while integrating broader insights from the 24-25 monitoring cycle.

Monitoring Cycle Populations



Cycle 22-23



Cycle 23-24



Cycle 24-25*

- ✓ **241** monitoring visits completed
- ✓ **240** subrecipients had observations
- ✓ **1,680** total observations
- ✓ **73** Technical Assistance Sessions completed

- ✓ **241** monitoring visits completed
- ✓ **236** Subrecipients had observations
- ✓ **1,851** total observations
- ✓ **119** Technical Assistance Sessions completed

- ✓ **181** monitoring visits completed
- ✓ **180** Subrecipients had observations
- ✓ **1,918** total observations
- ✓ **90** Technical Assistance Sessions completed

**Data as of April 25, 2025. The 24-25 Cycle is ongoing and expected to be completed by May 30, 2025. These numbers encompass observations for Cycles 22-23, 23-24 and 24-25.*

Impact by Monitoring Cycle



Cycles 22-23 and 23-24 Overview

COMPARISON SUBRECIPIENT GROUP	NUMBER OF SUBRECIPIENTS	NUMBER OF OBSERVATIONS	AVERAGE NUMBER OF OBSERVATIONS
Subrecipients monitored in Cycle 22-23	241	1460	6.1
Subrecipients monitored only in Cycle 23-24	49	281	5.7
Subrecipients monitored in Cycle 22-23 and Cycle 23- 24 (both Cycles)	192	930	4.8

Improved Performance of Previously Monitored Subrecipients

Previously monitored Subrecipients received on average **16% fewer monitoring observations** than their previously unvisited counterparts.

Previously monitored Subrecipients experienced a **24% decrease in observations** in their second visit.

Subrecipients monitored across both Cycles have demonstrated **an average reduction in monitoring observations**.

Summer Contingency Planning:

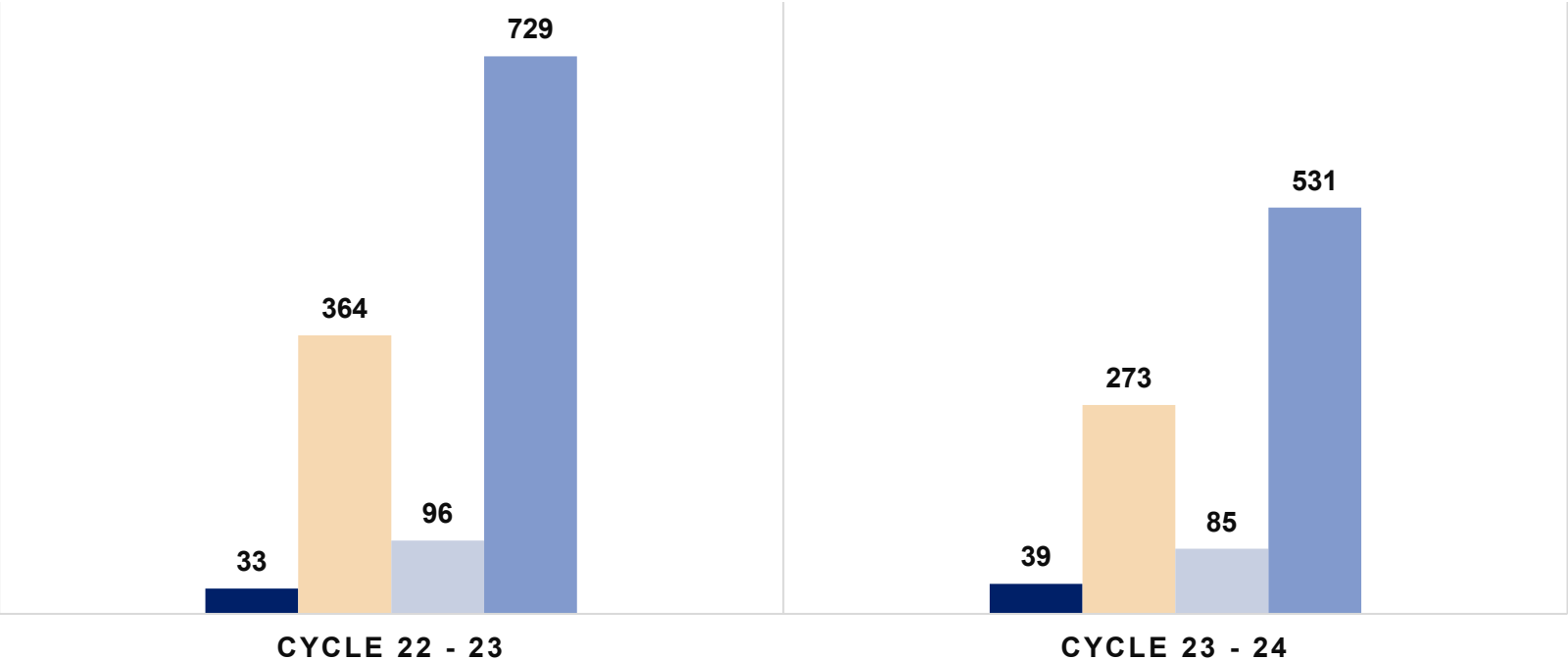
During the summer breaks, there was a noticeable spike in non-compliance, largely attributed to staff unavailability and ineffective continuity planning.

**For Cycle 22-23 and Cycle 23-24 comparisons, observations specific to a single Cycle were removed to avoid skewing results. The last row in the table compares LEAs monitored in Cycles 22-23 and 23-24.*

Impact by Area of Review



Number of Observations



Legend

Area of Review		% Δ
Equipment and Property Management		+18%
Financial Management		-25%
General / Entity Level Standards		-11%
Procurement		-27%

Procurement Review



Up to a
27% Drop

Many areas of review saw a **decrease** in the **number of observations in Cycle 23-24**, with **procurement** experiencing the largest drop at **27%**

**For Cycle 22-23 and Cycle 23-24 comparisons, observations different to a single Cycle were removed to avoid skewing results*

Impact by Observations



Top 10 Observations that declined in Cycle 23-24

AREA OF REVIEW	OBSERVATION TYPES (MONITORS SHORTHAND)	NUMBER OF SUBRECIPIENTS	% Change
General / Entity Level Standards	PII Sent (w/o Existing Measures)	8	-85.7%
Financial Management	No Use of Chart of Account Structure	11	-80.0%
General / Entity Level Standards	No PII Policy	28	-79.2%
Procurement	No Debarment and/or Suspension Check	87	-75.6%
Procurement	No MWE Steps	165	-65.8%
Financial Management	Misclassified Object Code	21	-62.5%
General / Entity Level Standards	No Policy Against Fraud, Waste, and Abuse	37	-62.1%
Financial Management	No/Bad Proof of Payment	63	-51.9%
Procurement	No Price/Rate Quotations	126	-51.4%
Procurement	No Competitive Procurement	142	-40.5%

Observations Review



49%

17 of the observations, or **49%**, experienced a **decrease** in Cycle 2023-24.

Legend %Δ

-100%/>

-50%/>

-50%<

**For Cycle 22-23 and Cycle 23-24 comparisons, observations different to a single Cycle were removed to avoid skewing results*

Monitoring Takeaways



1.

Previously monitored
Subrecipients had 16%
fewer observations than
previously unvisited
Subrecipients.

2.

Previously monitored
Subrecipients
experienced an average
of 24% reduction in
observations.

3.

Procurement
observations experienced
the largest drop of 27%.

Technical Assistance Impact



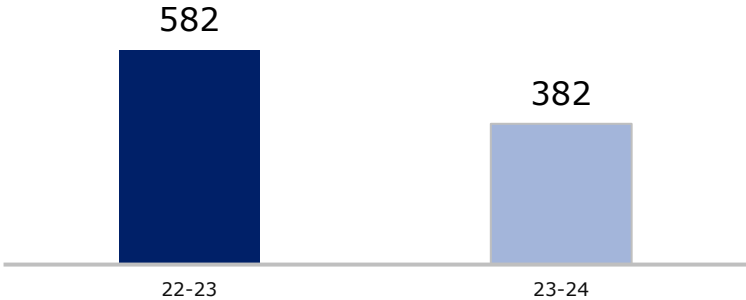
Of the 66 subrecipients who received Technical Assistance (TA) before their Cycle 23-24 monitoring visit...

- **71%** of subrecipients had a **decrease** in number of observations after TA
- **11%** of subrecipients had the **same** number of observations before and after TA
- **18%** of subrecipients had an **increase** in number of observations after TA

This decline in noncompliance is 10% better than the average 24% rate for subrecipients monitored twice

Observation Count for TA Subrecipients

Subrecipients who received TA in Cycle 22-23 had an average of about 6 observations. In Cycle 23-24, the average observations for these subrecipients decreased by **34%**.





An LEAs Journey with Subrecipient Monitoring



Pennsylvania
Department of Education

A conversation with ***Michael Leitera, Chief Executive Officer***
Pennsylvania Distance Learning Charter School



2.

Continuous Improvement Insights

- ☐ **Monitoring Observations Trends:** A review of common observations and leading practices in the following areas:
 - ☐ Procurement
 - ☐ Financial Management
 - ☐ Closeout
 - ☐ General / Entity Level Standards
- ☐ **Maintaining Compliance in a Post-ESSER Environment:** A focus on strategies and considerations to keep in mind for developing compliance plans post-ESSER

Trend of Top Procurement Observations



No Competitive Procurement



Regulatory Guidance

2 CFR 200.318



Associated Risk

Failure to follow required procurement procedures could result in deobligation or loss of subrecipient funding.



Leading Practice

The Subrecipient should show that bids are publicly solicited, contracts are awarded to the responsible bidder lowest in price, and that a cost price analysis is conducted for contracts over \$250,000.

No Contract Provisions

Regulatory Guidance

2 CFR 200.327

Associated Risk

Procurement of contracts that do not have the required 2 CFR terms and conditions procured using Federal funds could result in deobligation or loss of the subrecipient's funding.

Leading Practice

The Subrecipient should show that contracts financed by federal funds include the required terms and conditions as per 2 CFR 200 Appendix II.

No Price or Rate Quotations

Regulatory Guidance

2 CFR 200.320(a)(2)(i) & PDE and Pennsylvania Bulletin

Associated Risk

Failure to follow required procurement procedures could result in deobligation or loss of subrecipient funding.

Leading Practice

The Subrecipient should document at least three price quotations for procurements over \$10,000.

Strategies for Staying in Compliance with Federal Procurement



Understand Federal Regulations (2 CFR 200.318-327)

Stay updated on changes and amendments.

Understand why observations were received and correct internal procurement process.



Documentation and Record Keeping

Maintain specific and careful records.

Implement a document management system.



Vendor Management

Conduct regular training for procurement staff.

Perform due diligence on vendors.

Review vendors to see if they comply with federal requirements.



Risk Management

Classify and analyze procurement risks.

Develop effective mitigation strategies to decrease or eliminate the impact of these risks on procurement processes.



Continuous Improvement

Solicit feedback from procurement staff

Adapt and improve compliance strategies regularly

Trend of Top Financial Management Observations



No Interest Tracking Procedures



Regulatory Guidance

2 CFR 200.305



Associated Risk

Failure to follow required procurement procedures could result in deobligation or loss of subrecipient funding.



Leading Practice

The Subrecipient should maintain federal funds in interest-bearing accounts, track interest earned carefully and remit excess interest over \$500 to the HHS Payment Management System.

No Purchase Order / Invoice

Regulatory Guidance

2 CFR 200.403(g)

Associated Risk

Failure to follow required internal purchasing procedures could result in deobligation or loss of the Subrecipient's funding.

Leading Practice

The Subrecipient should document costs claimed against the Federal award.

No / Bad Proof of Payment

Regulatory Guidance

2 CFR 200.403(g)

Associated Risk

Failure to follow required procurement procedures could result in deobligation or loss of subrecipient funding.

Leading Practice

The Subrecipient should keep payments documented and reconciled to avoid improper purchase of goods or services.

Strategies for Staying in Compliance with Financial Management



Understand Federal Regulations

Stay updated on changes and amendments

Understand why observations were received and correct internal procurement process



Strong Internal Control

Segregation of Duties: No single individual should have control over aspects of significant financial transaction.

Approval Processes: Implement a clear approval process for expenditures. Expenses should be authorized and documented.

Regular Audits: Conduct internal audits regularly to rectify compliance issues early.



Accurate and Timely Reporting

Financial Reporting: Submit required financial reports on time. They should be correct and complete.

Performance Reporting: Track and report on the performance metrics as required by the funding agency.



Documentation and Record-Keeping

Maintain Records: Keep records of financial transactions, including receipts, invoices, and contracts.

Retention Policies: Follow federal guidelines for the retention of records, typically for at least three years after the final expenditure report.

Trend of Top Closeout Observations



Final Expenditure Report Does Not Match at Object Code Level



Regulatory Guidance

2 CFR 200.343



Associated Risk

Failure to follow required closeout procedures could result in deobligation or loss of subrecipient funding.



Leading Practice

The Subrecipient should maintain federal funds in interest-bearing accounts, track interest earned carefully and remit excess interest over \$500 to the HHS Payment Management System.

No Budget Revision Submitted

Regulatory Guidance

2 CFR 200.308

Associated Risk

Failure to follow required closeout procedures could result in deobligation or loss of the Subrecipient's funding.

Leading Practice

The Subrecipient should document costs claimed against the Federal award.

No Final Expenditure Report Submitted

Regulatory Guidance

2 CFR 200.344

Associated Risk

Failure to follow required closeout procedures could result in deobligation or loss of subrecipient funding.

Leading Practice

The Subrecipient should keep payments documented and reconciled to avoid improper purchase of goods or services.

Strategies for Staying in Compliance with Federal Closeout Procedures



Reconciliations

General Ledger should reflect the actual costs incurred during the grant Period of Performance.



Allowable Uses

Expenses claimed should align with allowable uses in accordance with ARP ESSER guidelines.

This process should be done alongside the budgeting and reconciliation process.



Expense Documentation

Expenses should be conducted in accordance with established purchasing procedures.

Include proper documentation such as approval, invoice, timesheets, proof of payment, etc.



Final Budget Revision

After conducting reconciliations, submit a final budget revision if there are discrepancies between the original/interim budget and actuals.



Final Expenditure Report

Costs recorded in the FER should reflect actuals spent during the period of performance of the grant.

Trend of Top General Entity Level Standard Observations



No SAM.Gov Debarment Checks



Regulatory Guidance

2 CFR 200.214



Associated Risk

Failure to perform debarment and suspension and active registration checks before awarding contracts could result in deobligation or loss of funding if the contractor is shown to be barred or suspended.



Leading Practice

The Subrecipient should proactively perform SAM.gov testing on its contractors before award.

No Policy Against Fraud, Waste, and Abuse

Regulatory Guidance

2 CFR 200.303(a)

Associated Risk

Failure to maintain a reporting system for fraud and other improprieties could lead to financial and reputational loss as a result of misuse of grant funding.

Leading Practice

The Subrecipient should have a policy in place for whistleblower mechanisms to report such instances.

Missing Policies

Regulatory Guidance

2 CFR 200.403(g)

Associated Risk

Failure to follow required procurement procedures could result in deobligation or loss of subrecipient funding.

Leading Practice

The Subrecipient should keep payments documented and reconciled to avoid improper purchase of goods or services.

Strategies for Staying in Compliance with Federal General / Entity Level Standards



Governance and Oversight

Board Involvement: the board of directors or equivalent governing body is actively involved in overseeing the use of federal funds.

Compliance Committee: Establish a compliance committee to oversee adherence to federal regulations and internal policies.



Policies and Procedures

Policies: Create policies and procedures for federal fund management, including procurement, financial reporting, and internal controls.

Regular Updates: Regularly review and update policies to reflect changes in federal regulations and organizational practices.



Risk Management

Risk Assessments: Conduct regular risk assessments to understand potential areas of non-compliance and have mitigation strategies.

Internal Controls: Implement strong internal controls to prevent and detect non-compliance, including segregation of duties and approval processes.



Training and Education

Ongoing Training: Provide continuous training for employees involved in managing federal funds so they understand compliance requirements.

Compliance Culture: Foster a culture of compliance within the organization through regular communication and reinforcement of compliance expectations.