



WHITE  
PAPER

# Spending K-12 Relief Aid Appropriately



How to bring clarity and accountability  
to pandemic recovery funding



Federal lawmakers have approved more than \$190 billion in emergency pandemic funding for K-12 education since March 2020. Through this funding, school systems have an opportunity to balance their budgets and make important infrastructure investments that will have a long-term impact on student health and success.

But this influx of funding also creates significant opportunities for waste, fraud, and abuse. Failure to comply with federal spending laws can result in severe consequences for schools. How can K-12 finance leaders leverage this taxpayer investment to their advantage while avoiding potential pitfalls? Read this white paper to find out.

## Understanding Federal Relief Aid

Since March 2020, Congress has passed three COVID-19 relief aid bills. The U.S. Department of Education has developed the Elementary and Secondary School Emergency Relief (ESSER) Fund to distribute this money to schools.

States receive this funding from the federal government based on their share of funding from Title 1, Part A of the Elementary and Secondary Education Act. States must distribute at least 90% of the money to local school districts based on each district's proportion of Title I funding. States have the option to set aside 10% of the money to use for emergency educational needs related to the pandemic if they want to.

There are three different pools of ESSER funding, each created by a different piece of legislation:

1. **ESSER I:** The Coronavirus Aid, Relief and Economic Security (CARES) Act, passed on March 27, 2020, provided \$13.5 billion.
2. **ESSER II:** The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), passed on Dec. 27, 2020, provided \$54.3 billion in additional funding.
3. **ESSER III:** The American Rescue Plan Act, passed on March 11, 2021, provided \$122.7 billion in further relief aid.

School systems must apply to their state education department for the money. They can spend it on a broad range of expenses related to preventing, preparing for, and responding to the COVID-19 pandemic. Funds can be used to make new purchases, as well as to reimburse school systems for pre-award expenses dating back to March 13, 2020, when President Trump declared COVID-19 a national emergency. School districts must use at least 20% of the ESSER III funding they receive to address student learning loss.

School systems should think strategically about how to use this funding, and they should involve all departments in this planning—including curriculum and instruction, information technology, and building and maintenance. Here are the dates by which school districts must spend this money:

- **ESSER I:** Sept. 30, 2022
- **ESSER II:** Sept. 30, 2023
- **ESSER III:** Sept. 30, 2024





## Spending Pitfalls to Avoid

When school districts spend federal grant money, they must account for their use of this funding, so they can demonstrate to auditors that they're spending the money appropriately.

Under the U.S. Office of Management and Budget's [Uniform Guidance 2 CFR 200](#) rulemaking, school districts must undergo a single compliance audit by an independent Certified Public Accountant (CPA) for any year in which they receive at least \$750,000 in federal funding. During this audit, school districts must show they have used federal grant money only for its intended purpose.

Problems or issues that could be flagged by an auditor may include:

- Failure to keep accurate records or provide a clear paper trail of spending and expenses
- Spending grant funds on ineligible services, such as personal items or expenses that aren't directly connected with the purpose of the grant program
- Funds that are missing or can't be accounted for
- Misrepresentation of how funds were used

If school districts are found to be in non-compliance, they can face serious consequences. For instance, districts might be prohibited from applying for future grant funding—or they could be forced to return a significant portion of the grant money.

Consider these examples from recent years:

- A state audit concluded that a former Colorado superintendent violated multiple policies related to his procurement card and

use of a school district vehicle. These violations reportedly resulted in \$45,690 in improper expenses.<sup>1</sup>

- Auditors uncovered nearly \$235,000 in misspent funds at a rural Oklahoma school, leading to federal charges. A school treasurer and clerk allegedly claimed reimbursements for travel they didn't take, and the treasurer allegedly altered checks to be payable to herself. Auditors also discovered unapproved credit cards in the school district's name that had tens of thousands of dollars of charges with no reasonable school purpose.<sup>2</sup>

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A 2019 study from the Association of Certified Fraud Examiners estimated that fraud cost educational institutions at least \$70 million worldwide from January 2016 through October 2017.<sup>3</sup>

Beyond the financial implications involved in the misuse of funding, school districts risk losing the trust and goodwill of their community. Every K-12 superintendent fears the headlines in the local newspapers that misusing public tax dollars would generate. The resulting fallout can undermine the hard work of school staff by making the public less likely to support tax levies or other investments in their local schools—and it could cost superintendents and other K-12 leaders their jobs.



## Four Ways School Districts Can Avoid Problems and Ensure Compliance

With so much federal funding available, and so much riding on the outcome, how can K-12 leaders ensure that it will be used responsibly? Here are four keys to success.

### 1. Know what is allowed

Avoiding fraud and inaccurate reporting begins with clearly understanding the requirements attached to ESSER funding. K-12 finance leaders should become intimately familiar with how to use the money appropriately, what programs and services are eligible for funding, and which expenses aren't allowable—and they should communicate these rules to everyone who has the authority to make or approve purchases.

A good place to start is the [Office of Elementary and Secondary Education's ESSER webpage](#), which includes fact sheets and answers to frequently asked questions. A new [FAQ sheet](#) was released May 26, 2021, with further guidance and clarification of allowable uses.

### 2. Establish clear procedures

Another key to ensuring compliance is to have clear policies and procedures in place for how employees should make and approve purchases, submit invoices and receipts, request

reimbursement, and so on. When everyone understands and follows the correct protocols, the potential for fraud or mistakes is reduced.

Even with clear policies and procedures in place, manually driven processes such as tracking and organizing paper receipts or waiting for approvals and reconciliations can still lead to errors. An automated solution can create efficiencies while reducing the risk of non-compliance even further. An automated solution also makes it easier for remote or hybrid employees to submit invoices and receipts from any location.

### How SAP® Concur® solutions can help:

Automated spend management from SAP Concur help organizations increase the accuracy of their financial accounting, improve compliance with state and federal guidelines, and streamline operational efficiency as they track spending.

For instance:

- Concur® Expense automates the routing, approval, and processing of expense reports under user-defined business rules.
- Concur® Invoice allows accounts payable teams to capture the data from both paper and electronic invoices and automate payment and approval processes.





Once an invoice is submitted, the data from the invoice is extracted through a combination of advanced technologies—including AI, machine learning, and Optical Character Recognition (OCR)—that significantly enhance accuracy as invoices are processed.

Independent research from market analysis firm International Data Corporation (IDC) has shown that the use of Concur Invoice improves policy compliance. After deploying the software, compliance with organizational spending policies rose from 82% to 97%, IDC says. The software also helped organizations spend 75% less time on processing invoices, resulting in a cost savings of \$3,258 for every 1,000 invoices processed.<sup>4</sup>

### 3. See spending clearly

Having full visibility into how grant funding is spent creates transparency, which further reduces the likelihood of fraud or mistakes. This is difficult to achieve when school districts are still using manual and paper-based processes, because accounting staff must comb through various folders stored in filing cabinets to look up the information they need to compile reports. Visibility is also hard to achieve when school districts are using separate digital systems that aren't connected with each other, because data appears in silos across multiple locations.

An automated spending management solution that links invoices and expenses from all sources and across all categories of spending gives K-12 finance leaders complete visibility into all of their spending from a single dashboard. Leaders can easily see each detail of every transaction in one place, making it easier to catch any errors or abuses.

### *How SAP Concur solutions can help:*

Concur Invoice and Expense integrate all invoice and expense data so that K-12 finance leaders can effectively manage and control spending no matter where it happens. The software tracks every step of spending process, from requests to payment and reconciliation. Each transaction has a complete digital trail showing who approved it, when, for how much, and for what use.

As one employee of a school district finance department remarked, “There’s a higher level of visibility from a management point of view. ... It’s brought things that formerly operated in the shadows more into the light of day.”<sup>5</sup>

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This level of transparency not only improves accountability and decision making, it also simplifies audits, which can be very time-consuming. IDC estimates that organizations can save an average of \$1,136 for every 1,000 invoices processed by using SAP Concur solutions, just from the time saved during the auditing process alone. One study participant observed, “Now, we give access [to the solution] to our auditor instead of having to pull invoices. They just do it themselves instead of us doing it, so it’s saved us one to two days [of labor].”<sup>6</sup>





#### 4. Put checks in place

School districts can further ensure compliance by putting controls in place to help catch any mistakes, fraud, or abuse before they come to light during an audit. This might include periodic internal reviews by accounting staff, and/or the use of software to achieve the same goal.

For instance, artificial intelligence and machine learning technology can be trained to look for anomalies in spending and flag potential problems for review by an administrator. The technology provides another layer of defense that can identify possible fraud or mistakes before they prove costly to school districts.

*How SAP Concur solutions can help:*

SAP Concur's portfolio of audit and compliance solutions uses machine learning technology to check line items in expense reports before reimbursement occurs, looking for errors, possible fraud, compliance with internal policies, and compliance with spending rules. The software cross-references expenses for accuracy against the data held in public and private databases, and it's able to identify discrepancies that humans can't see by detecting complex patterns and anomalies.

SAP Concur solutions leverage everything from previous receipts to social media posts to ensure that expense claims are legitimate, and it can spot suspicious behavior by repeat offenders. School districts can also configure the software to pause transactions and immediately notify others in the approval chain whenever a red flag is raised, so transactions can't be completed until their legitimacy has been verified.

### Earning Your Community's Trust

By following our four recommendations, school districts can avoid problems and manage their COVID-19 relief aid responsibly, making significant infrastructure investments in the health and success of their students while demonstrating to stakeholders that they are responsible stewards of federal tax dollars.

Doing nothing has a cost. Failure to comply with federal spending rules can jeopardize current or future funding opportunities—while eroding the trust and goodwill of the community.

Don't let that happen in your own schools. [Learn more](#) about SAP Concur spend management solutions for K-12 organizations.

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<sup>1</sup> Harper, Amelia. "State audit reports improper expenses by former school superintendent." *Rocky Mount Telegram*, June 16, 2021. [https://www.rockymounttelegram.com/news/local/state-audit-reports-improper-expenses-by-former-school-superintendent/article\\_52d48798-459b-58d9-b2d2-399e990e4be3.html](https://www.rockymounttelegram.com/news/local/state-audit-reports-improper-expenses-by-former-school-superintendent/article_52d48798-459b-58d9-b2d2-399e990e4be3.html)

<sup>2</sup> Palmer, Jennifer. "Audit uncovers misspending at rural Oklahoma school." *The Oklahoman*, Nov. 15, 2015. <https://www.oklahoman.com/article/5460532/audit-uncovers-misspending-at-rural-oklahoma-school>

<sup>3</sup> Molnar, Michele. "Fraud Costs Education At Least \$70 Million Globally, Study Says." *Education Week*, May 7, 2019. <https://marketbrief.edweek.org/marketplace-k-12/fraud-costs-education-least-70-million-globally-study-says/>

<sup>4</sup> Permenter, Kevin, and Singh, Harsh. *SAP Concur Facilitates Automated Management of Financial Operations*. International Data Corporation, May 2020. <https://www.concur.com/en-us/resource-center/reports/idc-report-sap-concur-facilitates-automated-management-of-financial-operations>

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.





## About SAP Concur

SAP® Concur® is the world's leading brand for integrated travel, expense, and invoice management solutions, driven by a relentless pursuit to simplify and automate these everyday processes. The highly-rated SAP Concur mobile app guides employees through business trips, charges are directly populated into expense reports, and invoice approvals are automated. By integrating near real-time data and using AI to analyze transactions, businesses can see what they're spending and avoid possible blind spots in the budget. SAP Concur solutions help eliminate yesterday's tedious tasks, make today's work easier, and support businesses to run at their best. Learn more at [concur.com](https://concur.com) or the SAP Concur [blog](#).

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