

Proprietary School HEERF Audit Guide

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What we'll cover



- Overview of HEERF funding
- Audit requirement and audit threshold
- General audit requirements
- Testing compliance requirements
- Audit package and submission
- Q&A

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Overview of HEERF Funding

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Audit Requirement and Audit Threshold

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Does my proprietary institution need to submit an audit?

- Language from [OIG's audit guide](#), page 8:

Audit Requirement: The requirement for a HEERF compliance audit was communicated to schools through a letter sent to all schools, dated March 8, 2021. As a condition of the HEERF award, a proprietary school must have a compliance audit conducted of its administration of the HEERF grant for any fiscal year during which the eligible school expends \$500,000 or more in total HEERF grant funds, whether under section 18004(a)(1) of the CARES Act, section 314(a)(4) of the CRRSAA, section 2003 of the ARP, or any future acts passed by Congress that include HEERF or is on Federal Student Aid's HCM 1 or HCM 2 list in a fiscal year in which it expended any HEERF grant funds

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What is an "expenditure" for audit purposes?

- 2 CFR 200.1 and 34 CFR 75.1 – Expenditure means charges made to a program for which an award was received.
- Costs should generally be included as expenditures when incurred and an award exists. The timing of cash receipts generally has no impact.
- Lost revenues and reimbursements back to 3/13/2020 should be included no earlier than the date of the substantial amendment to award terms (flexibilities given in January and March 2021).
- Expenditures subject to audit may not match quarterly and annual reporting (see Lost Revenue FAQs 7 and 8).

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Does my proprietary institution need to submit an audit for FY 2020?

- Did your proprietary institution, during your institution's fiscal year 2020:
 - Expend more than \$500,000 in HEERF grant funds (including 84.425E institutional portion funds, 84.425F student aid portion funds, and 84.425Q Grant Funds for Students)
 - Was at any point during your fiscal year on FSA's [Heightened Cash Monitoring](#) (HCM 1 or HCM 2) list?
- If the answer to either or both questions is **yes**, your institution must submit a fiscal year 2020 audit!

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How is the timeline calculated?

- The expenditure of \$500,000 is during the institution's fiscal year of all HEERF grant fund sources (CARES Act, CRRSAA, and ARP) counted together
- The HCM requirement is if at any point during the institution's fiscal year that they operated a HEERF grant, they were on the HCM 1 or HCM 2 list
 - For example, this would include an institution on the March 1, 2020 HCM list that received a CARES Act HEERF (a)(1) student grant on April 28, 2020 if the institution was on a January 1 – December 31 fiscal year.

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Turning in the Audit on Time

- Institutions are required to submit timely audits to the Department as established in the OIG audit guide – **July 29, 2021**
- The Department has a list of institutions that were on HCM and/or received more than \$500,000 in initial HEERF grant funds under the CARES Act
- For fiscal year 2020, the Department may follow up with some grantees that do not submit an audit and ask them to establish for the Department how they determined they were not required to submit an audit
- Institutions that are required to submit an audit, but fail to do so, may face a range of possible enforcement actions from the Department

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General Audit Requirements

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Audit Guide Development

Title IV Audit Guide
 + HEERF Addendum
 = HEERF Audit Guide

- Audit requirements (reporting entity, auditor qualifications, planning considerations, reporting on engagement) from the Title IV Audit Guide
- Compliance Requirements, objectives, and procedures from the HEERF section of the 2020 Compliance Supplement Addendum

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HEERF Audit Guide vs. Title IV Audit Guide

Differences

- HEERF audit is an examination level-attestation engagement
- Management's assertions are the basis of testing
- No prescribed sampling methodology

Similarities

- Engagement conducted as the eligible school level (first six digits of OPEID)
- Materiality defined for each requirement
- All noncompliance is reported

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HEERF Audit vs Single Audit

Differences

- Which schools are subject to audit
- Which exceptions are reported as findings
- HEERF audit is an examination level-attestation engagement

Similarities

- Compliance requirements subject to audit
- Sampling guidance

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Sampling

- Auditors will use attestation standards and AICPA guidance in determining the appropriate sample size.
- When designing a sample, the auditor should consider the purpose of the procedure and the characteristics of the population from which the sample will be drawn.
- Sampling methodology must be documented.

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AICPA Suggested Minimum Sample Sizes

AICPA Audit Guide – *Government Auditing Standards* and Single Audits, Chapter 11

Populations of 250 or more

<i>Desired Level of Assurance (Remaining Risk of Material Noncompliance)</i>	<i>Minimum Sample Size</i>
<i>0 exceptions expected</i>	
High	60
Moderate	40
Low	25

Small populations

<i>Frequency and Population Size</i>	<i>Sample Size</i>
Quarterly (4)	2
Monthly (12)	2-4
Semimonthly (24)	3-8
Weekly (52)	5-9

Populations between 52 and 250 – approximately 10% of the population

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Testing Compliance Requirements

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Audit Coverage

- For each requirement, test any HEERF I, II, III funds expended that fiscal year, as applicable.
- Guide is not a “safe harbor” for identifying procedures. Auditor judgement may be needed.
- Uniform Guidance changes effective for awards issued after November 12, 2020

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Activities Allowed or Unallowed

Was HEERF used only for allowable activities?

- For a sample of transactions, test that the charge was for an allowable activity
 - Financial aid grants to students, costs associated with significant changes to delivery of instruction, expanded use of funds under CRRSAA.
- Had a documented distribution plan with no inappropriate restrictions
- Spent HEERF I student portion and all HEERF II and III on emergency grants to students, not reimbursements for costs or refunds previously issued to students.

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Allowable Costs and Cost Principles

Were charges to HEERF grant allowable and were indirect charges appropriate?

- Basic guidelines apply to all entities and cost items but 2 CFR 200.420-475 address specific cost items, some unique to IHEs
- Prior approval waived for some cost items
- Indirect costs to the Institutional Portion at a negotiated indirect cost rate, or a de minimis rate
- For a sample of transactions, test conformance with basic guidelines
- Test that appropriate indirect costs rates are used and applied to appropriate bases, and that costs in the base are consistent with costs in the base year

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Earmarking

Was no less than 50% of HEERF I used to provide emergency financial aid grants to students?

- Division made by ED
- Order of incurring costs doesn't matter
- Test that financial records show at least 50% of CARES Act awards were used for emergency grants to students by the end of the HEERF I period of performance

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Period of Performance

Was the HEERF grant charged only during the period of performance or as otherwise authorized?

- One year period of performance, pre-award costs back to March 13, 2020, and 90 days to liquidate obligations
- POP begin date in audit period – test costs were not incurred prior to award date or prior to March 13, 2020.
- POP end date in audit period – test costs were incurred during one year period and that liquidation occurred within required timeframe.
- Test adjustments and verify within one year period

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Procurement Suspension and Debarment

Were procurement standards followed and were contractors not suspended or debarred?

- UG procurement standards changed effective November 12, 2020
- Obtain and review policies and written standards
- Test a sample of procurement transactions and look for history of procurement, verify appropriate procurement method, provided full and open competition, cost or price analysis when required.
- If contracting for goods or services of \$25,000, verify contractor not suspended or debarred

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Reporting

Were required reports complete, accurate, timely, and supported by records?

- Test that there was evidence of the appropriate number of quarterly postings
- For annual report and a sample of quarterly reports, test accuracy and completeness:
 - All elements are included and traced back to support, data summarized appropriately, mathematically accurate, unexpected differences are reasonable, reported student distribution method consistent with method employed
- Obtain representations from management

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Audit Package and Submission

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Report Package

Illustrated examples provided in Section D.6 of Chapter 2

- Information Sheet
- Report on Management's Assertions
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Findings
- Corrective Action Plan

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Report Due Dates

- FYEs 4/30/2020 through 12/31/2020 must play catch up therefore they will be due 120 days from issuance or July 29th, 2021.
- All other FYE reports will be due along with their title IV audit which is six months after their FYE.
- No extensions have been granted beyond audits that would have been due by 12/31/2020 (FYE 6/30/2020) .

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Submission to eZ-Audit

[See Step-by-Step Guide](#)

With Title IV Audit

- Use this option when Title IV and HEERF Audit is due and is being submitted at the same time
- Upload HEERF package as an "Other" file type on the Upload Attachments page

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Submission to eZ-Audit

[See Step-by-Step Guide](#)

As a Stub Audit (1st year)

- Use this option when Title IV audit has already been submitted
- Enter "HEERF Audit Package" as the reason
- HEERF Audit Package won't contain the same reports/schedules listed on the Completeness Checklist page

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Submission Cheat Sheet

Fiscal Year End	Title IV Due	HEERF Due (if subject to HEERF audit)	eZ-Audit Submission
4/30/2020	4/30/2021 ¹	7/29/2021	Stub
5/31/2020	5/31/2021 ¹	7/29/2021	Stub
6/30/2020	6/30/2021 ¹	7/29/2021	Stub
7/31/2020	1/31/2021	7/29/2021	Stub
8/31/2020	2/28/2021	7/29/2021	Stub
9/30/2020	3/31/2021	7/29/2021	Stub
10/31/2020	4/30/2021	7/29/2021	Stub ²
11/30/2020	5/31/2021	7/29/2021	Stub ²
12/31/2020	6/30/2021	7/29/2021	Stub ²
All others	FYE + 6 months	FYE + 6 months	Annual

¹ Or 30 calendar days after the date of the auditor's report, if sooner.

² Although your Title IV and HEERF Audits are not due at the same time, you may submit them together during the Title IV annual submission process if they are both complete as of the Title IV audit due date.

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Audit Resolution Process

- Audits are uploaded by grantees to eZ-Audit
- Audits with findings are referred to the Department's Office of Financial Operations (OFO)
- Audits with findings are resolved by OFO in conjunction with OPE and OGC
- OFO will be the main point of contact for resolving findings

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General HEERF Grant Reminders

- Contact your program officer with any grant close-out questions
- Quarterly reporting requirements still apply
- [CRRSAA a4 applications](#) must be received by Thursday, April 15, at 11:59:59 Eastern Time
- Stay tuned for an announcement of HEERF ARP funding in the next few weeks!

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Q&A

Audit Related ?s

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Program / Policy ?s

HEERF@ed.gov

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