



**UNITED STATES DEPARTMENT OF EDUCATION**  
**OFFICE OF POSTSECONDARY EDUCATION**

March 23, 2022

RE: Second Year Higher Education Emergency Relief Fund (HEERF) Auditing Requirements

Dear HEERF Grantee:

The purpose of this letter is to provide an overview of the Higher Education Emergency Relief Fund (HEERF) grant program auditing requirements for the second year of the HEERF program.<sup>1</sup> Auditing requirements for the HEERF grant fund fall into two categories—those public and private nonprofit institutions that may be required to submit an audit under the Single Audit Act Amendments of 1996 (Single Audit Act) and those audits that proprietary institutions are specifically required to submit under the HEERF program if certain conditions are met.

Audits form a critical component of the Federal Government’s proper oversight of grant programs generally, and of the disaster relief provided during the novel coronavirus (COVID-19) pandemic specifically. Quality audits are reliable and effective tools to improve the integrity and effectiveness of the Department programs and help reassure the American public, the Congress, and the Department’s Office of the Inspector General (OIG) that taxpayer dollars are used efficiently and effectively.

### **Single Audits of Public and Private Nonprofit Institutions**

*Who must obtain an audit?*

Any non-Federal entity, including private nonprofit and public institutions, that expends \$750,000 or more during the non-Federal entity’s fiscal year in Federal awards, including student financial assistance under Title IV of the Higher Education Act of 1965, as amended (Title IV) and HEERF, must have a single audit conducted in accordance with [2 CFR part 200 Subpart F Audit Requirements](#).

A non-Federal entity that expends less than \$750,000 in Federal awards during the non-Federal entity’s fiscal year is exempt from Federal single audit requirements for that year, except as noted in [2 CFR § 200.503](#), but records must be available for review or audit by appropriate

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<sup>1</sup> Please note this letter applies to HEERF grant funds provided under Coronavirus Aid, Relief, and Economic Security (CARES) Act (HEERF I), the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) (HEERF II), and HEERF grant funds provided under the American Rescue Plan Act of 2021 (ARP) (HEERF III).

officials of the Federal agency, pass-through entity, and Government Accountability Office (GAO).

Regardless of the need to submit an audit, all financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the last HEERF grant’s final expenditure report as required by [2 CFR § 200.334](#).

*What must be audited?*

Auditors must evaluate assistance listing (ALN) 84.425 – Education Stabilization Fund in its entirety to determine if it meets the requirements to be audited as a major Federal program. The separate grant types or subprograms (including HEERF), which were distributed using alpha characters at the end of the assistance listing number, are not considered separate programs for major program purposes.

**New Update for FY21:** Auditors of private nonprofit and public institutions must use a risk-based approach, in accordance with [2 CFR § 200.518](#) and [2 CFR § 200.519](#), to determine which Federal programs are audited as major programs during a single audit. Importantly, for single audits subject to the 2021 Compliance Supplement<sup>2</sup>, the Department has designated the Education Stabilization Fund as a “**higher risk program**” which requires auditors to consider several factors before declining to include the program as a major Federal program in the single audit. More information on the “higher risk” designation is available in the 2021 Compliance Supplement in Appendix IV. Based on the Department’s interpretation of the instructions provided in Appendix IV, an institution’s Education Stabilization Fund program must be audited as a major Federal program when it is considered a Type A program (a large program) because the Education Stabilization Fund program is 100% COVID-19 funding and therefore cannot qualify as a low-risk Type A program with the “higher risk” designation. Auditors should prepare audit documentation supporting risk considerations and conclusions for the Education Stabilization Fund program.

The Compliance Supplement is a document that identifies existing, important compliance requirements that the Federal government expects to be considered as part of a single audit, as well as audit objectives and suggested audit procedures for determining compliance with these requirements. The 2021 Compliance Supplement is available [here](#). Program objectives, program procedures, and compliance requirements specific to the Education Stabilization Fund and HEERF grant program can be found beginning on page 4-84.425-ESF-1 (PDF page 1097).

*How can we pay for this audit?*

Under [2 CFR § 200.425](#), private nonprofit and public institutions may use a reasonably proportionate share of the costs of audits required by, and performed in accordance with, the

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<sup>2</sup> The 2021 Compliance Supplement is effective for audits of fiscal years beginning after June 30, 2020, and will be superseded by the 2022 Compliance Supplement, effective for audits of fiscal years beginning after June 30, 2021.

Single Audit Act. That is, if an institution is submitting a single audit of multiple Federal programs, it should reasonably distribute the costs of the single audit among the audited programs.

Because of the nature of the Student Aid Portion grants (assistance listing 84.425E), no audit costs may be charged to that program as that grant program may be used only to provide financial aid grants to students.

*Where is the audit submitted?*

Single Audits by private nonprofit and public institutions are submitted via the [Federal Audit Clearinghouse](#) (FAC) system. The FAC provides access information and technical support in using their system to submit your single audit. For more information, please see [their FAQs here](#) and [instructions here](#), or contact them at either 1-866-306-8779 or [govs.fac.ides@census.gov](mailto:govs.fac.ides@census.gov).<sup>3</sup>

Submissions must include cover form SF-SAC (Data Collection Form for Reporting on Audits of States, Local Governments, Indian tribes and Tribal organizations, Institutions of Higher Education, and Non-profit Organizations), OMB Control Number 0607-0518. More information regarding this cover form [is available here](#).

*When must we submit an audit?*

Single audit report submission requirements are described in 2 CFR § 200.512 and generally require single audit report packages to be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. Under OMB memorandum [M-21-20](#), institutions with fiscal year ends through June 30, 2021, were allowed to delay the completion and submission of their single audit reporting packages up to six (6) months beyond the normal due date.

*Where can we find more information?*

More information regarding Single Audits is available at the OIG's [Single Audit webpage here](#).

## **Compliance Audits of Proprietary Institutions**

*Who must obtain an audit?*

Any proprietary institution that either (1) expended \$500,000 or more in HEERF grant funds during an institution's fiscal year<sup>4</sup>, (2) was on Federal Student Aid's (FSA's) [Heightened Cash](#)

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<sup>3</sup> Please note that the Department also requires institutions receiving Title IV program funds to submit via [FSA's eZAudit system](#).

<sup>4</sup> This includes both the Student Aid Portion and Institutional Portion of CARES Act funding provided to propriety institutions under assistance listings (ALN) 84.425E and 84.425F as well as the Proprietary Institutions Grant Funds for Students program under assistance listing 84.425Q.

Monitoring (HCM) 1 or 2 lists in an institution's fiscal year in which it expended any HEERF grant funds, or (3) expects to close or has closed<sup>5</sup> must submit a compliance audit covering the institution's administration of the entire HEERF grant program to the Department. The HEERF compliance audit must be conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States, and the applicable audit guide developed by the Department of Education's OIG.

A proprietary institution that expended less than \$500,000 in HEERF grant funds during an institution's fiscal year and is not otherwise on HCM 1 or HCM 2 list during an institution's fiscal year in which it expended any HEERF grant funds is exempt from this HEERF compliance audit requirement for that year, but the grant records must remain available for review or audit by authorized officials of the Department.

The Department has been working with proprietary institutions that we believe may be required to submit a HEERF proprietary audit and have been following up appropriately. Please note that proprietary institutions may be asked by the Department to establish to the Department's satisfaction that they expended less than \$500,000 in HEERF grant funds during an institution's fiscal year.

Regardless of the need to submit an audit, all financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the last HEERF grant's final expenditure report as required by [2 CFR § 200.334](#).

*What must be audited?*

OIG's audit guide, [Guide for Compliance Attestation Engagements of Proprietary Schools Expending Higher Education Emergency Relief Fund Grants](#) (HEERF Audit Guide), provides the requirements and guidance to satisfy the HEERF compliance audit requirement. To satisfy the HEERF compliance audit requirement, this HEERF Audit Guide requires an examination-level attestation engagement. The compliance requirements identified as being subject to audit in the HEERF Audit Guide will generally be the same as those identified in the HEERF section of the 2021 Compliance Supplement addendum.

Since FSA already requires an annual audit of all proprietary schools that participate in the Title IV programs, to the extent practicable, the annual Title IV audit may be used to cover certain areas of the HEERF audit if separately auditing those areas would be duplicative.

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<sup>5</sup> As a reminder, institutions are under a continuing affirmative duty as a condition of their HEERF Supplemental Agreements and Certification & Agreements to inform the Department if the institution is to close or terminate operations as an institution or merge with another institution.

*How can we pay for this audit?*

Like private nonprofit and public institutions, proprietary institutions may use a reasonably proportionate share of the reasonable costs associated with implementation of this audit requirement.

Because of the nature of the Student Aid Portion grant (assistance listing 84.425E) and Proprietary Institutions Grant Funds for Students (assistance listing 84.425Q), no audit costs may be charged to those programs as those grant programs may be used only to provide financial aid grants to students.

*Where is the audit submitted?*

This audit will be submitted via [FSA's eZ-Audit System](#), the same system that is already used to submit the annual Title IV audit. Specific instructions on where and how to submit your audit are included in the [HEERF Audit Guide](#).

*When must we submit an audit?*

The audit report package for the FY 2021 compliance attestation engagements must be submitted within six months of the end of the institution's fiscal year, which is the same submission deadline for the institution's annual Title IV audit, as established by [34 CFR § 668.23\(a\)\(4\)](#).

*Where can we find more information?*

More information regarding proprietary institution auditing will be available at the OIG's [Proprietary Schools, Foreign Schools, and Third-Party Servicer Audits webpage here](#).

## **General Requirements and Information – All HEERF Grantees**

*Who can we contact for more information?*

Please reach out to the following for more information:

- For technical support or information on submitting a single audit via the [Federal Audit Clearinghouse](#) (FAC) system: 1-866-306-8779 or [govs.fac.ides@census.gov](mailto:govs.fac.ides@census.gov).
- For general inquiries about the HEERF program: [HEERF@ed.gov](mailto:HEERF@ed.gov).
- For technical assistance related to performing the audit or attestation engagement: [oignon-Federalaudit@ed.gov](mailto:oignon-Federalaudit@ed.gov).

Thank you for all the work you are doing on behalf of our nation's students during this challenging time and for your prompt attention to this matter.

Sincerely,

/s/

**Michelle Asha Cooper, Ph.D.**

Deputy Assistant Secretary for Higher Education Programs

Delegated the Authority to Perform the Functions and Duties of the Assistant Secretary  
Office of Postsecondary Education