

BREAKOUT SESSION #4

Update on Auditing Requirements for Title IV Programs and Higher Education Emergency Relief Fund (HEERF) Grants

Mark Priebe and Amy Bales

U.S. Department of Education

2022 Virtual FSA Training Conference for Financial Aid Professionals

AGENDA

1. HEERF Fiscal Year (FY) 2022 Audit Updates
2. Recent Title IV Audit Issues and Upcoming Changes
3. Audit Submission Information
4. Other Changes Impacting School Audits

AUDIT GUIDES

While the Compliance Supplement is applicable to public and private nonprofit school single audits, the Office of Inspector General (OIG) publishes these audit guides applicable to audits of proprietary and foreign school Title IV programs and HEERF grants.

GUIDE FOR AUDITS OF PROPRIETARY SCHOOLS
AND FOR COMPLIANCE ATTESTATION
ENGAGEMENTS OF THIRD-PARTY SERVICERS
ADMINISTERING TITLE IV PROGRAMS



U.S. DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

2016

2016 PROPRIETARY SCHOOL TITLE IV AUDIT GUIDE

2022 PROPRIETARY SCHOOL HEERF AUDIT GUIDE

GUIDE FOR COMPLIANCE ATTESTATION
ENGAGEMENTS OF PROPRIETARY SCHOOLS
EXPENDING HIGHER EDUCATION EMERGENCY
RELIEF FUND GRANTS



U.S. DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

May 2022

GUIDE FOR FINANCIAL
STATEMENT AUDITS AND
COMPLIANCE ATTESTATION
ENGAGEMENTS OF FOREIGN
SCHOOLS



U.S. DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

2020

2020 FOREIGN SCHOOL TITLE IV AUDIT GUIDE

HEERF FY 2022 AUDIT UPDATES



HEERF AUDIT REQUIREMENTS

2022 COMPLIANCE SUPPLEMENT PART 4, EDUCATION STABILIZATION FUND, SECTION 2

- Issued in May 2022
- Effective for audits of fiscal years beginning after June 30, 2021
- No addendums anticipated
- Education Stabilization Fund is still a higher risk program and must be audited if it is “Type A”, even if it was audited in prior years

2022 PROPRIETARY SCHOOL HEERF AUDIT GUIDE

- Issued in May 2022
- Effective for audits of fiscal years beginning after June 30, 2021
- Early implementation allowed
- HEERF Grant Award Numbers need to be identified in the report package (CPA-22-01)

HEERF ACTIVITIES ALLOWED OR UNALLOWED

- ED's final rule on student eligibility for HEERF
- Distinction between allowable uses of Student and Institutional funds before and after December 27, 2021
- If an institution uses Institutional Portion funds to make additional emergency student grants, those funds are subject to the Student Portion requirements
- Grantees on Route or Stop Pay Status requires approval of a spending plan prior to drawdowns
- Construction and real property expenditures for HEERF (a)(2) subprograms

HEERF CONSTRUCTION AND REAL PROPERTY EXPENDITURES

- Construction and real property expenditures allowed for HEERF (a)(2) subprograms as of March 15, 2022 by the Consolidated Appropriations Act, 2022 (P.L. 117-103)
- Projects must be to “prevent, prepare for, and respond to coronavirus.”
- ED approval for specific projects is needed
- Projects cannot be for facilities related to athletics, sectarian instruction, or religious worship
- Minor remodeling does not trigger the requirement to obtain ED’s approval

HEERF CASH MANAGEMENT

Cash Management requirements are required to be tested for the first time in FY 2022

MINIMIZE TIME BETWEEN DRAWDOWN AND DISBURSEMENT

- Student portion disbursed within 15 days
- Institutional portion disbursed within 3 days
- Auditor will review trial balances for unearned revenue and select a sample of G5 draws to test

REMIT INTEREST ON ADVANCED DRAWS

- Interest in excess of \$500 earned on advances of federal funds must be remitted annually to the US Department of Health and Human Services
- Auditor will review records for amount of interest earned and evidence of remittance

HEERF PERIOD OF PERFORMANCE UPDATE

- Notice of Automatic Extension of Performance Period (4/4/22)
- Provides an extension of the performance period on HEERF grants through June 30, 2023.
- The extension does not apply to grants that are closed or in the closeout process, nor does it apply to grants that have an award balance of \$1,000 or less.

HEERF PROCUREMENT UPDATE

Prior compliance supplement/audit guide described the exception for national emergencies that allowed for noncompetitive proposals.

Given the periods covered by the FY 2022 compliance supplement/audit guide, it is unlikely that an institution would be able to utilize this flexibility from competitive procurement given the duration of time from the beginning of the pandemic.

HEERF REPORTING UPDATE

- Quarterly Student Aid Portion reporting items updated
- Quarterly Institutional Portion forms updated
- Link to where Annual Report data elements and guidance is provided
- Clarified in the compliance supplement that Federal Funding Accountability and Transparency Act (FFATA) reporting is not applicable to HEERF grantees

RECENT TITLE IV AUDIT ISSUES AND UPCOMING CHANGES



TITLE IV AUDIT REQUIREMENTS

2022 COMPLIANCE SUPPLEMENT PART 5, STUDENT FINANCIAL ASSISTANCE CLUSTER

- Issued in May 2022
- Effective for audits of FYs beginning after June 30, 2021
- No addendums anticipated

2016 PROPRIETARY SCHOOL AUDIT GUIDE

- Issued September 2016 and remains effective
- No recent amendments adding new testing areas
- Site Visit Exemption tied to national emergency (CPA-21-01)

2020 FOREIGN SCHOOL AUDIT GUIDE

- Issued March 2020 and remains effective
- No recent amendments adding new testing areas
- Site Visit Exemption tied to national emergency (CPA-21-01)

COVID-19 FLEXIBILITIES AND WAIVERS

Areas Impacting Title IV Audit Compliance Testing

- State authorization and accreditation for distance education
- 70/70 qualifying requirements for short-term programs
- Schools that temporarily ceased operations during pandemic
- Calculation of satisfactory academic progress
- Exercising professional judgement
- Approved Leave of Absences and related policies
- Heightened Cash Monitoring 1 credit balances
- R2T4 provisions for making returns, overpayments, and post withdrawal disbursements
- Change in ownership support

TITLE IV REGULATORY CHANGES

Areas Impacting Title IV Audit Compliance Testing

- Institutional Eligibility
 - Satisfactory Academic Progress policy requirement changes
- Program Eligibility
 - Updated clock to credit hour conversion regulations
 - Distance education program definitions

TITLE IV REGULATORY CHANGES

Areas Impacting Title IV Audit Compliance Testing

- Disbursements
 - Repeal of the Direct Loan Subsidized Usage Limit Restriction
- Return to Title IV
 - Changes due to distance education and innovation issues
 - *Coronavirus Aid, Relief, and Economic Security Act (Cares Act) R2T4 waiver:
 - Determining if the student qualified
 - Determining whether reporting requirements were met for those that did qualify

**New Testing in the Compliance Supplement but not an objective/procedure required currently by the Audit Guides*

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

DEAR COLLEAGUE LETTER GEN-21-07

Covers the auditor's responsibility for evaluating and reporting on the Financial Responsibility Supplemental Schedule.

Refers to clarified auditing standard AU-C 725:

Supplementary Information in Relation to the Financial Statements as a Whole

- ✓ Conditions exist in order to opine on the schedule
- ✓ Management acknowledges and understands its responsibility
- ✓ Perform testing on the schedule

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

☐

TRUE

☐

FALSE

The auditor's in-relation-to opinion on the Financial Responsibility Supplemental Schedule must be included in the auditor's report on the financial statements.

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

☐

TRUE



FALSE

The auditor's in-relation-to opinion on the Financial Responsibility Supplemental Schedule must be included in the auditor's report on the financial statements.

THIS IS FALSE.

The in-relation-to reporting may be included in either (a) the auditor's report on the financial statements or (b) in a separate report on the Financial Responsibility Supplemental Schedule.

PROPRIETARY SCHOOL AUDIT GUIDE UPDATE

– COMING SOON

- Updates projected to be effective for FY 2023 audits
- Update current professional standards and regulatory citations
- COVID-19 flexibilities and waivers
- Align objectives and procedures
- Expand Compliance Requirements background sections to better explain requirements to be tested
- Testing and reporting revisions

PROPOSED PROPRIETARY SCHOOL AUDIT GUIDE UPDATE

New or Revised Testing to Address Regulatory Changes

- CARES Act R2T4 Waiver and Reporting
- Transitional operation after school closing
- State authorization for out of state institutions offering distance education
- Accreditation requirements for distance education
- Changes to the Safeguards Rule of the Gramm-Leach-Bliley Act

AUDIT SUBMISSION INFORMATION



AUDIT DUE DATES

SINGLE AUDITS OF PUBLIC AND PRIVATE NONPROFIT SCHOOLS

- Due nine months after fiscal year end or 30 days after receipt
- No current extensions due to COVID-19
- Six-month extension for entities affected by hurricanes
- Submission to Federal Audit Clearinghouse and eZ-Audit

FINANCIAL/COMPLIANCE AUDITS OF PROPRIETARY AND FOREIGN SCHOOLS

- Due six months after fiscal year end
- No current extensions due to COVID-19
- Six-month extension for schools affected by hurricanes
- Submission to eZ-Audit
- Title IV and HEERF submitted together

FEDERAL AUDIT CLEARINGHOUSE TRANSITION

- General Services Administration (GSA) was expected to take over acceptance of FY 2022 single audits from the U.S. Census Bureau (Census) on October 1, 2022, but transition was delayed.
- GSA will now take over on October 1, 2023.
- Census began accepting FY 2022 single audits in October 2022, after formal update to the Data Collection Form was made.
- 30-day aspect of single audit submission deadline is temporarily suspended.

OTHER CHANGES IMPACTING SCHOOL AUDITS

TRANSITION FROM DUNS TO UNIQUE ENTITY IDENTIFIER (UEI)

The Federal Government has transitioned from the use of the DUNS Number to the UEI as the primary means of entity identification for Federal awards government-wide.

PUBLIC AND PRIVATE NONPROFIT SCHOOLS

Update to the 2022 Data Collection Form to require UEI reporting

2022 Data Collection Form allows DUNS reporting but it is not required

PROPRIETARY AND FOREIGN SCHOOLS

Dear CPA Letter CPA-22-02 requires identification of a school's UEI instead of DUNS

UEI reported on the title page(s) and Information Sheet

For additional guidance refer to Education's [UEI Transition Fact Sheet](#)

REVISED AUDITOR'S REPORTING STANDARDS

Auditing and Attestation standards were revised to enhance the relevance and usefulness of auditor's reports. The effective date of these changes differ depending on the type of engagement performed.

PUBLIC AND PRIVATE NONPROFIT SCHOOL SINGLE AUDITS

Illustrative
Reports available
on the
Government Audit
Quality Center
website

PROPRIETARY SCHOOL TITLE IV AUDITS

CPA-21-02 covers
financial
statement audit
and compliance
audit reports

PROPRIETARY SCHOOL HEERF AUDITS

CPA-21-06 covers
compliance
engagement
reports

FOREIGN SCHOOL TITLE IV AUDITS

CPA-21-03 covers
financial
statement audit
and compliance
engagement
reports

QUESTIONS?

OIGnon-federalaudit@ed.gov