



Auditing \$100 Billion in Relief Funds: How to Avoid Findings

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The Future of the Federal Role in Education:
Bringing Clarity to Chaos



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CRF Audits (Rhode Island, Feb. 2021)

- Treasury OIG met with State representatives after local news story that Governor planned to withhold CRF proceeds to balance the State's budget shortfall
 - State provided assurance to Treasury OIG "that allegations of Rhode Island using funds to impermissibly resolve a government revenue shortfall are untrue."
 - Report issued "to advise your office that the use of [CRF] proceeds to cover revenue shortfalls remains an unallowable use of funds."

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CRF Audits (Iowa, Dec. 2020)

- Returned \$20.1 million in payments to Workday; vendor that provided technological upgrades to Iowa's HR and finance accounting systems.
 - (Iowa): Allowed gov't employees to access systems remotely; facilitated telework; response efforts.
 - (OIG): Contract was entered in Oct. 2019
 - (OIG): HR upgrades would not go live until July 2021; Finance upgrades in June 2022

CRF Audits (Iowa, Dec. 2020)

"While the new and modern Workday system may provide additional functionalities through a cloud-based environment, the timeline for achieving them is nearly two years away and the system upgrades were contemplated well before the pandemic began. As such, the Workday system is not available to meet the State's urgent needs during the covered period. Accordingly, we maintain our position that funding the Workday contract with Coronavirus Relief Fund proceeds is not a reasonable, allowable use of funds related to address the COVID-19 health pandemic."

CRF Audits (American Samoa, July 2020)

- Recovered stipends for telework for staff that were already teleworking prior to COVID-19
- Questioned pre-payment of one year leased facilities for staff

HEERF OIG Audit (Feb. 2021)

- Reviewed reporting of HEERF "institutional portion" by 100 colleges
 - 81 of 100 colleges complied with reporting requirements
 - 42% of funds reported as obligated as of Sept 2020
- Largest reported usage:
 - Tuition reimbursement
 - Campus safety
 - "Other Uses" (admin/indirect)

Single Audit Extensions

- OMB Memo 21-20 (March 19, 2021)
 - Non-federal entities that have not filed their single audits as of March 2021, and that have fiscal year-ends through June 30, 2021, may delay the completion and submission of the single audit **six months beyond the normal due date.**
 - Does not need approval, but must maintain documentation of reasons for delayed filing
 - Recipients/subrecipients using the extension would still qualify as "low risk auditee" under 200.520(a).

COVID in the Compliance Supplement

- Federal awarding agencies and PTEs are responsible for identifying COVID-19 awards and communicating the applicable compliance requirements to the recipient/subrecipient.
 - Normally this information would be in the award terms and conditions.
 - However, for COVID-19 related awards, the compliance requirements may have been communicated through an agency website and the compliance requirements may have been modified or compliance requirements not included in original terms and conditions may have been added.



Northshore Technical Community College –
HEERF Audit

- At issue: **\$70,734** in HEERF student aid to 124 students enrolled exclusively in online courses, but not exclusively online programs

Northshore Technical Community College –
HEERF Audit

- CARES, HEERF Allocation (18003(a)(1)):
 - 75% on relative share of full-time equivalent Pell recipients "who are not exclusively enrolled in distance education courses"
 - 25% based on enrollment of non-Pell students, also "who are not exclusively enrolled in distance education courses"

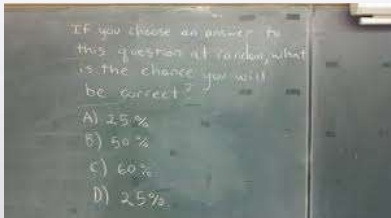
Northshore Technical Community College – HEERF Audit

- CARES, HEERF Uses (18004(c)):
 - "To provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to coronavirus (including eligible expenses under a student's cost of attendance, such as food, housing, course materials, technology, health care, and child care)."

Northshore Technical Community College – HEERF Audit

- CARES HEERF Guidance (April 2020)
 - If a school provides online and ground-based programs, are students who were enrolled exclusively in online programs eligible for aid?
 - **No:** "students who were enrolled exclusively in an online program on March 13, 2020 ... are not eligible for emergency financial aid grants."
 - And "emergency financial aid grants to students are for expenses related to the disruption of campus operations due to coronavirus, and students who were enrolled exclusively in online programs would not have expenses related to the disruption of campus operations due to coronavirus."

Northshore Technical Community College – HEERF Audit



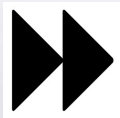
Northshore Technical Community College – HEERF Audit

- Question to HEERF Program Contact (May 2020):
 - Referencing the HEERF Guidance: "During the affected period, if a student was enrolled in all online courses but not related to an exclusively online program, would this this student be eligible to receive an emergency financial aid grant?"

Northshore Technical Community College – HEERF Audit

- HEERF Program Contact Answer (June 2020):
 - "Yes. Eligibility for student HEERF funding is not tied to enrollment in one course. As long as the student is an active student at your IHE, they would be eligible if they meet the requirements under Section 484 in Title IV of the HEA."

Northshore Technical Community College – HEERF Audit



- Single Auditors (Jan 2021):
 - "[NTCC] disbursed funds totaling \$70,734 during the spring 2020 semester to 124 ineligible students enrolled exclusively in online courses."

Northshore Technical Community College – HEERF Audit

- Prior Written Approval: 2 CFR 200.407
 - "In order to avoid subsequent disallowance or dispute based on unreasonableness or nonallocability, the non-Federal entity may seek the prior written approval of the cognizant agency for indirect costs or the Federal awarding agency in advance of the incurrence of special or unusual costs."

Northshore Technical Community College – HEERF Audit

- Auditors reached back out to ED (March 2021):
 - ED official told the auditors to sustain the finding, despite the written guidance
 - Said the question "may have been confusing"
 - "Notwithstanding this, errors or admissions by the Department do not allow us to change or waive existing statutory or regulatory requirements. Please see 34 CFR 75.900(b)."

Northshore Technical Community College – HEERF Audit

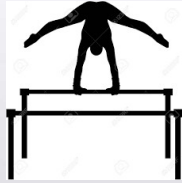
- ED Official Response (March 17, 2021):
 - "We note that when single audit findings come to the Department, the Department has the discretion on whether to seek a recovery of funds. We would ask that, if possible, this audit note the alleged mitigating circumstances here. We will thoroughly review this audit, as we do all audits."

Northshore Technical Community College – HEERF Audit

- NEW GUIDANCE!! March 19, 2021
 - HEERF II – explicitly allowed for students exclusively enrolled in online courses
 - Passed Dec. 27; ED changes its interpretation – says that unspent CARES and CRRSAA HEERF Funds may be used for any allowable CRRSAA use back to **March 13, 2020**

Northshore Technical Community College – HEERF Audit

- So.....
 - Remove the \$70k from CARES HEERF, and it can be covered by CRRSAA HEERF II?



Northshore Technical Community College – HEERF Audit

- Auditors drop the finding (March 26, 2021)



CARES Act Compliance Supplement Addendum

What we know ... so far

Compliance Supplement Addendum: Time and Effort

- 2 CFR 200.430(i) applies to ESSER/GEER funds
- "Time distribution records" ("time and effort" reporting) is needed "if an individual employee is splitting their time between activities that may be funded under ESSER or GEER and activities that are not allowable under ESSER or GEER."
 - BUT – notes that there are "very few situations" in which this would apply

Compliance Supplement Addendum: Emergency Leave Policy

- OMB M-20-17; ED April 8 Factsheet: May continue to pay employees with grant funds even if disrupted by coronavirus, according to an emergency leave policy
 - If no policy exists, should create one.
- However, under ESSER/GEER – compliance supplement states the CARES funds may be used to continue paying employees during leave and closures "even in the absence of a policy that specifically addresses these circumstances."

Compliance Supplement Addendum: Construction

- Construction/capital purchases are allowed with ESSER/GEER
 - ED/Pass-through entity must provide written, prior approval
 - Pass-through entities must "ensure compliance with applicable construction regulations (such as 34 CFR 75.609 (safety and health standards) and 75.616 (energy conservation))"



Compliance Supplement Addendum: Construction

- Construction costs/acquisition of real property **not** allowed under HEERF
 - "Minor remodeling to prevent the spread of COVID-19, within the confines of a previously completed building" are OK
- Equipment – "automatic" prior approval (HEERF II FAQs)

Compliance Supplement Addendum: Coronavirus Relief Fund

- Audit criteria should be based on Treasury Guidance
 - Includes presumption of allowability up to \$500 per student threshold
- Discourages capital/construction costs with CRF
 - Grantee must "(i) determine that it is not able to meet the need arising from the health emergency in a cost-effective manner by leasing property or equipment or by improving property already owned and (ii) maintain documentation to support this determination"

2020 Compliance Supplement

- https://www.whitehouse.gov/wp-content/uploads/2020/08/2020-Compliance-Supplement_FINAL_08.06.20.pdf
- Addendum for CARES Act programs, released **December 2020**
- https://www.whitehouse.gov/wp-content/uploads/2020/12/2020-Compliance-Supplement-Addendum_Final.pdf

Treasury OIG – CRF Audit Resources

- Prime Recipient Desk Review Procedures (March 2021):
 - <https://oig.treasury.gov/sites/oig/files/2021-03/OIG-CA-21-004R.pdf>
- Treasury OIG FAQs (March 2021):
 - https://bfm.sd.gov/covid/OIG_CRF_FAQ_20210302.pdf
- Treasury OIG CARES Audits:
 - <https://oig.treasury.gov/cares-act-reports>

ED OIG – Education Stabilization Fund Audit Resources

- ED OIG Coronavirus Response and Disaster Relief:
 - <https://www2.ed.gov/about/offices/list/oig/disasterrecovery.html>
- ED OIG CARES Oversight Plan:
 - <https://www2.ed.gov/about/offices/list/oig/misc/cares-act-plan.pdf>

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