



Fall Forum 2021

Stimulus Funds and UGG, and You and Me, So Happy (Back) Together

# HEERF Updates

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# Agenda

- Background
  - *Use of Funds*
- FAQs
- ED OIG Audits (Lincoln College and Remington College)





# Background on HEERF



# What is HEERF?

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- Higher Education Emergency Relief Funds
- Program established under the CARES Act and continued in subsequent stimulus legislation to provide federal assistance to institutions of higher education to respond to the coronavirus pandemic
- Three Major Stimulus Bills
  1. Coronavirus Aid, Relief, and Economic Security (CARES) Act – March 27, 2020
  2. Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) – December 27, 2020
  3. American Rescue Plan (ARP) Act – March 11, 2021
- Student Aid Portion and Institutional Portion



# CARES Act – HEERF I

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- \$14B for HEERF
- Sec. 18004(a)(1) - To prevent, prepare for, and respond to coronavirus
  - Allocated to institutions by “...full time Pell recipients not exclusively enrolled in distance education courses...”
- Sec. 18004(c)\* - To cover any costs associated with significant changes to the delivery of instruction due to coronavirus
  - “IHEs shall use no less than 50 percent of funds 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.”
- Sec. 18004(a)(2)
  - HBCUs, TCCUs, MSIs, SIPs

\* Limitations on recruitment, capital outlays, athletic facilities, religious instruction, etc.



# CRRSAA – HEERF II

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- \$23B for HEERF II
- Sec. 314(a)(1) - To prevent, prepare for, and respond to coronavirus
- Sec. 314(c) -
  - ✓ Defray expenses associated with coronavirus (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll).
  - ✓ Provide emergency financial aid grants to students\* (including students exclusively enrolled in distance education) which may be used for any component of the student's COA or for emergency costs that arise due to coronavirus, such as food, housing, healthcare (including mental health), or child care.
    - \* Must prioritize students with exceptional need, such as Pell recipients
  - ✓ Carry out student support activities authorized by the HEA that address needs related to coronavirus.
- Sec. 314(a)(2)
  - HBCUs, TCCUs, MSIs, SIPs



# ARP – HEERF III

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- \$36B for HEERF III
- Sec. 2003 – “for making allocations to IHEs in accordance with same terms and conditions of section 314 of CRRSAA.”  
Practically, this means:
  - ✓ 50% to financial aid grants to students (prioritize need)
  - ✓ Defray expenses associated with coronavirus (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll).
  - ✓ Additional financial aid grants to students
  - ✓ Must implement evidence-based practices to monitor and suppress coronavirus in accordance with public health guidelines (**NEW!**)
  - ✓ Must conduct direct outreach to financial aid applicants about opportunity for adjustments based on change in financial circumstances (**NEW!**)



# CRRSA/ARP Allocation to IHEs

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- 37.5% on FTE enrollment of Pell Grant recipients who were not enrolled exclusively in distance education courses prior to March 13, 2020
- 37.5% on total enrollment of Pell recipients who were not enrolled exclusively in distance education courses
- 11.5% on FTE enrollment of non-Pell recipients who were not enrolled exclusively in distance education courses
- 11.5% on total enrollment of non-Pell recipients who were not enrolled exclusively in distance education courses
- 1% on FTE enrollment of Pell recipients exclusively enrolled in distance education courses
- 1% on total enrollment Pell recipients exclusively enrolled in distance education courses





# Period of Availability

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	CARES	CRRSAA	ARP
Enactment	March 27, 2020	December 27, 2020	March 11, 2021
Start date	March 13, 2020	March 13, 2020*	March 13, 2020
End date	One year, with no-cost extension	One year, with no-cost extension	One year, with no-cost extension(?)

\*Recent guidance from ED says December 27 start date no longer applicable for previous costs, lost revenue.



# HEERF Use of Funds

	CARES	CRRSAA	ARP
Student share	At least 50%	At least the same <b>dollar amount</b> as spent on students under CARES, after any transfers/ rollover (100% for proprietary institutions)	At least 50% (100% for proprietary institutions)
Institutional share	Up to 50%	Remaining funds	Up to 50%



# HEERF Student Eligibility

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	CARES	CRRSAA	ARP
Undocumented students?	LEAN NO	<b>YES*</b>	<b>YES*</b>
Students in online-only / non-degree programs	NO	YES	YES
Students in online-only classes	LEAN NO	YES	YES

Note: regulations issued by ED on May 11, 2021, overturn previous decision and redefine enrollment as “any individual who is or was enrolled at an eligible institution on or after March 13, 2020.”



# Student Aid Portion

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- Grants to students for:
  - Any component of student's cost of attendance
  - Emergency costs that arise due to coronavirus, such as:
    - Tuition
    - Food
    - Housing
    - Health care (including mental health care)
    - Child and dependent care costs



# Student Aid Portion

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- Must prioritize grants to students with exceptional need
- Grants must be unencumbered
  - *Cannot deduct debts, charges, fees, or other amounts*
- Can pay down student account balances **with permission** (also see institutional portion)
- Cannot condition receipt of grants “on continued or future enrollment”



# Institutional Uses of Funds

	CARES	CRRSAA	ARP
Lost revenue	ONLY HBCU/MSI supplemental	✓	✓
Additional grants to students	✓	✓	✓
Religious/ athletic facilities	x	x	x
Recruitment activities	ONLY HBCU/MSI supplemental	x	x
Distance learning costs	✓	✓	✓
Payroll	✓	✓	✓



# Institutional Portion

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- Allowable expenditures involve defraying expenses associated with Coronavirus including:
  - ✓ *Lost revenue*
  - ✓ *Technology costs associated with a transition to distance education*
  - ✓ *Faculty and staff training and professional development*
  - ✓ *Payroll*
- Make additional financial aid grants to students.
  - *However, institutions may not:*
    - Condition the receipt of financial aid grants to students on continued or future enrollment
    - Use the financial aid grants to satisfy a student's outstanding account balance without affirmative, written consent
    - Require such consent as a condition of receipt of funds



# Lost Revenue

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- Allowed under institutional portion of HEERF II, III and unspent HEERF I (as of Dec. 27).
- “Revenues an [IHE] otherwise expected but were reduced or eliminated as a result of [COVID 19].”
- Pandemic nexus required
  - *An institution may only estimate lost revenue “associated with coronavirus”*





# Examples of Lost Revenue

- Tuition, fees, institutional charges (unpaid student accounts receivable)
- Room and Board
- Enrollment declines (including reduced fees)
- Summer terms and camps
- Reduced state appropriations (NEW!)
- Cancelled ancillary events
- Disruption of food service
- Dormitory services
- Childcare services
- Other operating revenue
- Use of facilities or venues, including external events such as weddings, receptions, or conferences (other than facilities associated with sectarian instruction or religious worship)
- Bookstore revenue
- Parking revenue
- Lease revenue
- Royalties





# Lost Revenue

## Calculating Lost Revenue

- “Institutions have flexibility to reasonably calculate their estimated lost revenues”. Institutions may use:
  - *Year over year comparison*
  - *Semester over semester comparison*
  - *Comparison using a 3-5 year average as baseline*
  - *Comparison using previously budgeted revenue / projected revenue for the period*
  - *Comparison to a baseline year prior to March 13, 2020*
- Note: if an institution provided students tuition refunds using HEERF grant fund, it cannot factor the students’ tuition in its estimate of lost revenue

## Treatment of Recovered Lost Revenue

- Does not require assignment of specific costs or expenses
- Line-item charge of estimated lost revenue
- Can be charged at end of the period captured
- For reporting purposes, date charged is when cost was “incurred”
  - *Even if including lost revenue from prior period, include the total estimated revenue in FY 2021 SEFA*



# Technology

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- Institutions can:
  - *Purchase technology, equipment, and software to help facilitate distance learning, including:*
    - Equipment
    - Software
    - Online licensing fees
    - Internet service
  - *Reimburse themselves for previously purchased items*
- Must represent an increased or new cost to ensure connection to coronavirus





# Cleaning Supplies

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- Allowable! ... so long as new or added due to coronavirus
- Including:
  - *Thermometers*
  - *Cleaning supplies*
  - *Facility cleaning*
  - *Physical barriers*
  - *PPE*
  - *“non-permanent changes to existing facilities to ensure social distancing”*
- Must
  - *Maintain documentation*
  - *Support reasonableness of cost consistent with federal requirements*



# Equipment

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- Equipment costs are generally allowable, e.g.
  - *Establishing outdoor space*
  - *Purchasing furniture or other items to facilitate social distancing (??)*
  - *Delivery of instruction changes like A/V equipment, cameras, screens, etc.*
- Must demonstrate connection to change in instructional delivery
- All costs must be (per UGG):
  - *Documented*
  - *Necessary for the performance of the grant*
  - *Reasonable – evaluate cost, potential alternatives (e.g. rental)*
- Must consider disposition of the equipment per 2 CFR 300.313(e).
- Is the cost capitalized for accounting purposes?
  - *If yes, AND the item has a useful life or more than a year, technically requires prior approval from federal awarding agency (2 CFR 200.439)*
  - *ED has waived prior approval requirements for institutional portion of HEERF I, II (2 CFR 200.407; 2 CFR 200.313)*



# Payroll Costs

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- “Clear nexus to significant changes to the delivery of instruction due to the coronavirus.”
  - *New employees dedicated to COVID/ HEERF-related work are allowable*
- HEERF II and unspent HEERF I can be used for employee benefits costs if:
  - *Such costs are newly associated with the coronavirus; and*
  - *The costs were incurred on or after March 13, 2020*
- No contractors / employees related to recruitment or marketing
- No senior administrator or executive salaries, benefits, bonuses
- No sectarian instruction or religious worship



# Discharging Student Debt (encouraged!)

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- Two options:
  1. *Additional unencumbered student aid grants*
    - i. Student must be able to use for other allowable purposes
  2. *Discharge outstanding balances, and then charge to lost revenue*
    - i. Includes associated fees and penalties
    - ii. No conditions on discharge for students
    - iii. No double-charging



# Retention and Reengagement

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Efforts to reengage students that are not impermissible “marketing and recruitment”:

- Retention - To support additional academic or mental health support systems that will help students to overcome additional barriers that have arisen as a result of coronavirus that may otherwise prevent them from completing their education.
- Reengagement - Institutions can discharge the complete balance of a student’s institutional debt as lost revenue and reimburse themselves through their HEERF institutional grants, including associated fees and penalties, so students can re-enroll, continue their education, or obtain their official transcript to transfer and/or secure employment.





# Scholarships

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- Allowable under Section 18004(a)(2) and (a)(3) only:
  - *Supplemental HBCU/MSI funding*
  - *“for grants to students for any component of the student’s cost of attendance (as defined under section 472 of the Higher Education Act), including food, housing, course materials, technology, health care, and child care.”*
  - *May use these funds only to advertise scholarships*
    - Pre-enrollment recruitment/ marketing restriction does not apply





# Question

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HEERF funds are subject to the Uniform Grants Guidance?

- A. True
- B. False



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# Frequently Asked Questions





# **Do students have to show documentation of needs?**

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- No. There's nothing in the statute or guidance that says students have to demonstrate a specific need.
- However, documentation should be maintained regarding:
  - *Student eligibility for grants*
  - *Any request and reasoning for adjustments to Title IV financial aid awards per HEA Sec. 479A*



# How do I determine a cost is associated with disruption related to coronavirus?

- For students:
  - *Increased costs*
    - E.g. childcare
  - *New needs*
    - E.g. devices, housing, medical expenditures, change in family financial status
- For institution:
  - *New costs (ED May 2021 guidance: “newly associated with coronavirus”) related to:*
    - Delivery of instruction online
    - Social distancing
    - Disease prevention and mitigation
    - Student, faculty, and staff needs
  - *Generally not:*
    - Long-standing needs, planned/ budgeted costs



# How do I show a coronavirus connection?

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- Incurred on or after March 13, 2020
- Demonstrating pandemic nexus depends on showing how costs address disruption in instruction/ campus operations either in moving to remote instruction or returning to in-person instruction.
- Does it involve:
  - *Changing modality of instruction or interaction?*
  - *Improving safety for experiential learning/ practicum classes?*
  - *Improving safety for in-person classes?*
  - *Disease mitigation?*
  - *Other recognized control or health efforts?*



# Can I upgrade my...

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...campus wifi/ internet servers / instructors' devices / cameras / mics / etc..?

- YES. These are costs substantially associated with the shift to distance instruction. Campus systems have more instructors and students relying on those internet connections. Both the items and the staff time needed to support them are allowable.



# Can I upgrade my...

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...air filtration/ HVAC / windows

- In most cases, yes. These are costs associated with limitation of disease spread and mitigation.
- Cautions:
  - *Not in athletic/ religious facilities*
  - *Not once it meets “construction” threshold*





# What counts as construction?

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- “No grantee may use its grant for acquisition of real property or for construction unless specifically permitted by the authorizing statute or implementing regulations for the program.” (34 CFR 75.533)
  - *ED → construction and real property not permissible*
- Includes:
  - *Structural alterations*
  - *The addition of permanent walls or features*
  - *Permanent expansion of an existing space*
- Minor remodeling (existing buildings) is ok, 34 CFR 77.1



# Can I charge indirect costs to HEERF?

- Yes, but on the Institutional portion only!!





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# **ED OIG HEERF Audits: Lincoln College and Remington College**



# Lincoln College

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Audit objective: determine whether Lincoln used the Student Aid and Institutional portions of its HEERF funds for allowable purposes

- Also reviewed Lincoln's cash management practices and the timeliness and quality of the data Lincoln reported on its use of HEERF funds



# Lincoln College

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## Findings:

1. Did not adequately document eligibility determinations for a small number of students.
2. Improperly applied \$700K of institutional grant funds to credit 461 students' accounts for rent the students paid to third party landlords during campus closure\*.
3. Improperly used \$9K for software subscriptions that extended beyond the 1-year period of performance\*.
4. Did not follow cash management requirements—did not minimize time between drawing down and disbursing HEERF funds, nor deposit excess funds in an interest-bearing account.

\*Note: After the Department presented its findings, Lincoln reallocated the questioned costs to other expenditures they believed were eligible.



# Rent vs Debt

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Finding: Lincoln improperly applied \$700K of institutional grant funds to credit 461 students' accounts for rent the students paid to third party landlords during campus closure.

- **Background:** Prior to pandemic, Lincoln had contracts with third-parties that offered student housing. Students could pay rent to the Landlord directly or authorize Lincoln to pay the rent from either available funds in the student's account of financing provided by Lincoln.
- **Issue:** Q-34 in HEERF FAQ Rollup (October 2020) stated that institutions could provide students account credits for rent paid by the student when the student was not on campus due to coronavirus. However, the guidance also stated that students who paid the landlord directly (rather than the school) must be reimbursed in cash or an equivalent.
- The 461 students identified in the finding paid rent directly to the landlord, then Lincoln posted rent credits to the students' account.



# Rent vs Debt

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- **Result:** OIG determined that Lincoln incorrectly concluded that posting the rent credits to the students' accounts was equivalent to a form of cash payment.
- Department guidance specified that Lincoln should have made direct cash payments or equivalents to reimburse these students rather than credit the students' accounts with rent credits.
- The rent credit was not the equivalent of a cash payment because students could not readily convert the credits to cash.
- “By issuing an account credit instead of cash or an equivalent, students did not have discretion to use the funds for other eligible expenses that might have provided more timely and effective relief for their own circumstances related to the disruption of campus operations due to coronavirus.”
- “By issuing the credits, Lincoln used Institutional grant funds to pay down the students' debt owed on Title IV loans or to the school without students' permission.”



# Period of Availability

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- Like Remington, questioned a software subscription that extended past the grant performance period:
- “While the dollar amount of costs we questioned was small, it is critical that grantees not prepay costs that extend beyond the grant performance period. Properly allocating costs to the grant performance period helps to protect taxpayer dollars; minimize the risk of fraud, waste, and abuse; and ensure Federal funds are used for allowable and intended purposes.”





# Cash Management

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- Finding: Lincoln failed to follow cash management requirements, including depositing funds in interest bearing accounts and remitting earned interest.
- Lincoln: Revised its policies in Oct 2020, after ED guidance.
- OIG: “We acknowledge the corrective actions...” “We did not make any changes to the findings or recommendations.”



# Lincoln College

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OIG recommendations to the Office of Postsecondary Education:

1. Require Lincoln to update its policies and procedures to ensure student eligibility is adequately verified and funding determinations are adequately documented and supported.
2. Review the allowability of the reallocated expenditures and if not allowable, return the funds.
3. Require Lincoln to incorporate federal cash management requirements in its policies and procedures and determine if Lincoln accurately calculated and remitted interest.



# Remington College

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Audit objective: determine whether Lincoln used the Student Aid and Institutional portions of its HEERF funds for allowable purposes

- Also reviewed Remington's cash management practices and reporting of HEERF expenditures



# Remington College

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## Findings:

1. Improperly used \$80K of institutional funds to purchase multiyear software subscriptions that extend beyond the grant period.
2. May have improperly used \$64K of institutional grant funds to cover costs associated with its purchase of student computers.
3. Did not always use a competitive procurement process for institutional grant purchases over \$10K.
4. Did not follow cash management requirements—did not minimize time between drawing down and disbursing HEERF funds, nor deposit excess funds in an interest-bearing account.



# Guidance vs Law

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- Auditors disagree with ED's guidance on allowability for computers with CARES HEERF:
- “The Department’s guidance, which is seemingly more permissive in terms of allowable costs than the statute itself, impacts our ability to assess whether the school improperly used \$64,985 of its Institutional grant funds for this purpose.”



# Period of Availability

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- Auditors argue that online subscription costs could not extend past the close of the grant, even just to finish the semester:
- “However, to comply with 2 C.F.R. § 200.309, Remington College should have charged to the Institutional grant only those subscription costs through May 19, 2022. Subscription costs after that date should be paid for with other (non-HEERF) school funds.”



# Procurement

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- Finding: College failed to follow federal procurement for its contracts with HEERF
- Corrective action:
- “Determine whether the \$639,400 that Remington College charged to its Institutional grant for contracts awarded without a competitive procurement process was reasonable when compared to the quality and costs of suitable alternatives, and if not, require appropriate corrective actions.”



# Remington College

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OIG recommendations to the Office of Postsecondary Education:

1. Require Remington to return to \$80K in institutional grant funds spent after the grant period or reallocate the funds to other allowable costs.
2. Clarify whether the \$64K costs in student computers were allowable.
3. Determine whether the \$639K that Remington charged to its institutional grant for contracts awarded without a competitive procurement process were reasonable.
4. Require grants management training for school officials responsible for making purchasing decisions.
5. Require Remington to incorporate federal requirements to its allowable costs (timeliness), procurement and cash management policies and procedures.
6. Determine if Remington accurately calculated and returned interest.





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