



HEERF Audit Guide for Proprietary Schools Released

April 6, 2021

On March 31, the Department of Education's Office of Inspector General (ED OIG) issued the [Guide for Compliance Attestations Engagements for Proprietary Schools Expending Higher Education Emergency Relief Fund Grants](#) (Guide) which will govern how for-profit institutions are evaluated for compliance in their treatment of Higher Education Emergency Relief Fund (HEERF) moneys received under the Coronavirus Aid, Relief and Economic Security Act (CARES), the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP).

The Guide is effective immediately for the first fiscal year during which a school has expended HEERF funds, which for most institutions will be any fiscal year starting after April 1, 2020. Any proprietary school that expended more than \$500,000 in HEERF funds during the fiscal year, or expended HEERF funds in any amount while also on HCM1 or HCM2 status, will be subject to audit under this new Guide.

The audit must be completed and submitted to the Department through the eZ-Audit portal the later of 120 days of issuance of the Guide (which would be roughly July 30, 2021) or the submission deadline for the school's Title IV Audit (including any extensions granted by ED). Obviously, for institutions with a calendar based fiscal year, the timing on this additional audit is a bit challenging, since most have already started and, in some cases, completed their Title IV audit. This new audit will have some overlap with that process, but the HEERF funds audit is a different type of examination that cannot be added as another component of the annual Title IV compliance audit. There must be a separate engagement letter, testing and report issued by the auditor.

The focus of this audit will be the following areas:

1. Were the HEERF funds limited to only allowable activities?
2. Were the charges to the HEERF program for allowable costs?
3. Did the institution expend at least 50% of its CARES (HEERF I) funds on student emergency grants?
4. Were the charges incurred during the allowable time period(s)?
5. Did the school make procurements in compliance with federal regulations, including ensuring that contractors were not debarred?
6. Did the school timely report accurate information and publish it as required? Were the appropriate records maintained to support the reporting?

If your institution is subject to this audit requirement, you should discuss the engagement and evaluation process with your CPA soon, especially if your institution operates on a December 31 fiscal year, as those institutions will be required to submit the new HEERF audit by the end of July 2021, unless the institution utilizes the annual audit extension deadline allowed by ED in response to the COVID-19 pandemic.

If you have questions, please reach out to Cooley for additional guidance.

Rebecca Flake focuses on federal student financial aid matters. She has been in the financial aid industry for 20+ years in the capacities of a financial aid advisor, financial aid director and compliance auditor.

Kate Lee Carey focuses on the legal, accreditation, administrative and regulatory aspects of regionally and nationally accredited higher education institutions and companies that provide services to the education industry.

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