

OMB Issues Compliance Supplement Addendum Governing CARES Funding for Higher Education

By Kelsey Cannici, CPA, Manager

The Office of Management and Budget released late last month the much-awaited Compliance Supplement Addendum. This Addendum sets forth the compliance requirements for new programs that were created to support institutions in adapting their operations to withstand the challenges presented as a result of the COVID-19 pandemic.

CARES Act Funding for Higher Education Institutions

Higher education institutions were challenged with transitioning to remote learning as campuses closed and educators began teaching virtually. These sudden changes created additional costs to both students and institutions alike. As a result, funds were awarded under CFDA number 84.425, from the Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act to aid in relieving the burden of these additional costs. Funds awarded under this Act to institutions of higher education were divided into the following subprograms as follows:

Governor's Emergency Education Relief (GEER) Fund – \$3.0 billion in appropriations

- CFDA 84.425A Education Stabilization Fund–State Educational Agency (Outlying Areas) (ESF-SEA)
- CFDA 84.425C Governor's Emergency Education Relief (GEER) Fund
- CFDA 84.425H HEERF Education Stabilization Fund–Governors (Outlying Areas) (ESF-Governors)

Higher Education Emergency Relief Fund (HEERF) – \$14 billion in appropriations

- CFDA 84.425E Higher Education Emergency Relief Fund (HEERF) Student Aid Portion
- CFDA 84.425F HEERF Institutional Portion
- CFDA 84.425J HEERF Historically Black Colleges and Universities (HBCUs)
- CFDA 84.425K HEERF Tribally Controlled Colleges and Universities (TCCUs)
- CFDA 84.425L HEERF Minority Serving Institutions (MSIs)
- CFDA 84.425M HEERF Strengthening Institutions Program (SIP)
- CFDA 84.425N HEERF Fund for the Improvement of Postsecondary Education (FIPSE) Formula Grant

Additional subprograms were awarded to elementary and secondary schools which are not included in the above listing.

New Reporting Requirements

Under the Federal Funding Accountability and Transparency Act, there is a new reporting compliance requirement for COVID-19 programs as indicated in the compliance supplement. Institutions utilizing HEERF funding are now required to post on the Institution's website on a quarterly basis reporting relating to both the institutional and student aid portions of HEERF funding expended. Institutions are expected to be in compliance with the new reporting requirement beginning with quarters ending September 30, 2020 for both the institutional and student aid portions.

For higher education institutions, these requirements are applicable if institutions make tier one subawards of \$30,000 or more from GEER funds. These reporting requirements will be expanded to all programs regardless of their relation to COVID-19 funding with fiscal years ending after September 30, 2020.

Additional reporting under the HEERF is currently being developed. Higher education institutions expending HEERF funding will be required to complete the HEERF Annual Report form. This form is being developed for use and submission in early 2021 via a portal.

Allocation of Funds Between Institutional and Student Aid

Higher education administrators must continue to monitor the use of HEERF funds to ensure that a minimum of 50% of awards received are distributed in the form of student aid. Institutions have 365 days from the date of the award to expend funding from HEERF and, therefore, should expect these allocations to be audited for the year ended June 30, 2021.

Emergency Expenditures Must Be Documented

While the compliance supplement gives a broad scope of allowable costs relating to the COVID-19 funding, institutions are required to adequately document the rationale for sole-source awards. Institutions must be able to support that these types of expenditures could not be delayed due to the emergent nature of the expenditure. A stronger case may be made for such expenditures that take place closer to the March 13, 2020 declaration of emergency.

Single Audit Extension for Entities Receiving COVID-19 Funding

Additionally, any entity receiving COVID-19 funding will be provided a three-month extension to complete their audits. For many institutions with a June 30, 2020 year-end, this extends the single audit deadline to June 30, 2021.

Contact Us

The Higher Education Practice Group at PKF O'Connor Davies is available should you have any questions about the 2020 Compliance Supplement and any of its new requirements. We provide the full spectrum of audit, tax and risk advisory services to public and private institutions of higher education. Please feel free to contact either of the following individuals on the PKF O'Connor Davies Higher Education team:

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