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CACUBO Webinar Series on:

HEERF Update

February 17, 2022

We will begin shortly. Thanks for joining!

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- This is the 18th monthly webinar CACUBO has hosted since the pandemic began. The webinars have been an effort to stay engaged with our members during the pandemic.
- Today, we will hear from panelists who will provide us an update on the accounting for and processing of Higher Education Emergency Relief Fund (HEERF), specifically discussing the processing of the No-Cost Extension, the Annual Reporting Requirements and a discussion of lessons learned.
- This webinar is eligible for CPE. If you are interested in receiving CPE credit for this webinar, please e-mail me (Marty Mickey) at mmickey@nl.edu now. During the webinar, there will be three check in questions for you to answer. **In order to receive CPE, you must answer all three of these questions.**
- We will send out a survey afterwards to solicit thoughts and topics for future webinars.
- If you would be willing to present in a future webinar, please e-mail me at mmickey@nl.edu.

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DISCLAIMER

The interpretations and thoughts contained herein are those of the speakers presenting and are subject to change and may or may not be appropriate for your institution. Consultation should be held with your own CPA firm to validate the position you are taking in a certain area.

QUESTIONS

We have a lot of material to cover and will try to get to questions at the end. Please refrain from entering questions initially as we may cover the topic you have a question on in the presentation. For those questions we don't get to, we will try to provide a written follow up later.

QUESTIONS

We will make copies of these slides and a recording of the webinar available on the CACUBO website in a few days.

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Today's Presenters

Speakers

- Adam Smith, BKD
- Vicki VanDenBerg, Plante Moran
- Lois Tatro, Wichita State University
- Marty Mickey, National Louis University

Agenda

- Additional HEERF Funding
- Practices to monitor and suppress coronavirus
- Conduct direct outreach to financial aid applicants
- Additional uses of institutional funds for student needs
- No-cost extensions
- Common Issues, Questions & Findings:
  - Capital expenditures
  - Technology costs
  - Procurement concerns
  - HEERF Reporting Requirements
  - Indirect cost rate – what's allowable?
  - Revenue recognition

Additional HEERF Funding (SSARP)

Supplemental Support Under the American Rescue Plan (SSARP)

Applications due April 4, 2022

$198 million available for allocation to institutions who meet one or more of the following criteria (priorities):

- Underfunded grantees due to technical errors, application issues or not reporting in IPEDS
- MIS or SIP grantees that were underfunded due to technical errors or applications issues, are newly eligible or a branch campus
- Underfunded ARP grantees due to an institutional merger or change in PPA
- Community colleges and rural IHE's serving a high percentage of low-income students and experiencing enrollment declines
  - First priority – Community Colleges
  - Second priority – Other public & private nonprofit IHE's in a rural setting
- Institutions serving high percentages of graduate students

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American Rescue Plan, 2021
Application Deadline Extension

- Applications deadline has been extended to March 7, 2022
- Reopening of application deadline to accommodate institutions that may have missed out on some of the HEERF funding

Eligibility

- Public and private institutions that received HEERF
- IHE's that meet Criteria as a
  - Strengthening Institutions Program
  - Minority Serving Institutions Program
  - Proprietary Institution Grants Funds for Students program
  - Even those that were not eligible for CRRSAA

First Polling Question

Is your institution planning on applying for additional HEERF related funding?

1. **Yes _______________**
2. **No _______________**
3. **Unsure____________**

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Practices to monitor and suppress coronavirus

- *Covid-19 mitigation* - According to a recent survey of college presidents conducted by the American Council on Education, nearly 90 percent of institutions used HEERF:
  - to purchase COVID-19 tests
  - conduct health screening
  - meet other urgent health needs.
  - implementing testing and contact tracing
  - purchasing PPE, HVAC, and other ventilation system improvements to prevent the spread of COVID-19
  - providing vaccine clinics and incentives

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Conduct direct outreach to financial aid applicants

Direct outreach could include, but is not limited to, any of the following:

- Email to students who receive financial aid,
- Mail to students who receive financial aid,
- Phone or voice communication,
- Webinar invitations, and
- In-person interviews or meetings

- To date, these have not amounted to significant costs
- **<u>You have to include something on reports</u>**

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Additional FAQ on institutional funds for student basic needs

- FAQ's released 1/20/22
  - Examples of uses of institutional funds for student needs:
    - Childcare
    - Food – meal vouchers, food pantries
    - Transportation costs including public transportation, free and discounted parking
    - Academic – textbook voucher program, tutoring, mentor programs, additional access to technology
    - Housing – rent support, scholarships
    - Mental health and health care - student support centers, telehealth services
    - Partnering with other sources to promote advocacy and outreach services, Open educational Resources (OER) expansion

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No Cost Extensions

- Must be submitted no more than 60 days and no later than 30 days before the grant award period ends
  - Example – award period is 5/14/2020-5/21/2022
  - NCE must be submitted between 3/22/22-4/21/22

- Extension requestion must include the following:
  - Justification Narrative (see next slide)
  - The revised expiration date (which can be for up to one year after your original expiration date)
  - The expected budget amount that will look to carry over to the NCE timeframe
  - A budget breakdown of said spending given the amount remaining (include a small/brief narrative to each line-item or expenditure).
  - Include your PR# from your GAN in the email subject line

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No Cost Extensions – Justification Narrative

Must include the following items:

- ✓ Explain why you were not able to complete the grant – setbacks and how you plan to address your goals, objectives and the priority of your submission.
- ✓ Include potential emergency student aid awards
- ✓ Institutional issues that are outstanding related to the COVID-19 impact.
- ✓ Identify and include the current Emergency Relief Guidance (https://www2.ed.gov/about/offices/list/ope/arpfaq.pdf) connected to expense related issues
- ✓ How the expenses will be factored and addressed during the NCE time-period and of the review request.
- ✓ Details on the extenuating/uncontrollable circumstance that prevented you from completing such actions/goals during your current budget/performance period
- ✓ Additional justification of need for the extension.

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No Cost Extensions – Strategy

- ✓ Work with your HEERF program manager or the OPE Emergency Response Unit
- ✓ Identify uses of funds – will get approval for expenses and student grants (probably not for lost revenue based on justification guidance)
- ✓ Plan ahead!

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Second Polling Question

Are you planning on applying for a No Cost Extension?

1. **Yes _______________**
2. **No _______________**
3. **Unsure____________**

Common Issues, Questions & Findings

- Capital expenditures – what’s allowable?
- Technology costs – what’s allowable?
- Procurement concerns
- HEERF Reporting
- Indirect cost rate – what’s allowable?
- Revenue recognition

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Capital expenditures – what's allowable?

- Items specifically excluded:
  - Permanent building construction
    (no new facilities)
  - Structural alterations to buildings
    (it can be completely changing an existing building)
  - Building maintenance and repairs
    (it can't already be broken)

- "Minor Remodeling" is **acceptable**
  - Installation or renovation of an HVAC system, **to help with air filtration to prevent the spread of COVID-19**
  - The purchase or leasing of **temporary** trailer classroom units to increase social distancing
  - The purchase or costs of the installation of "room dividers" within a previously completed building to increase social distancing

Capital expenditures – what's allowable?

- Are partial reimbursements for HVAC replacements allowable?
  - *Yes, would appear to be allowable under FAQ #24*
- Would the purchase of security cameras or exterior locks be allowed?
  - *Maybe, a specific purpose associated with the coronavirus must be able to be articulated*
- Would new signage that is permanent qualify if purchased for vaccine clinics that are conducted on campus?
  - *Potentially, if directly associated with vaccination efforts (FAQ #28) and/or setting up a testing site*
- Does it matter if a project was planned pre-pandemic?
  - *Yes, a project can be under consideration pre-pandemic and be acceptable as it may be additionally necessary as a direct result of COVID-19. However, a project that was planned and approved prior to March 13, 2020, would not appear to meet the threshold for an expenditure caused by the coronavirus.*
- Are replacing seats in classrooms from a permanent location to be portable to accommodate social distance acceptable expenses?
  - *Yes, would appear to be allowable as analogous to "installation of room dividers within a previously completed building to increase social distancing" under FAQ #24*
- What does "redesigning food service facilities" entail? (FAQ #28)
  - *There is not an authoritative "list" of allowable expenses, however, costs incurred should follow the principles of being directly related to the coronavirus. Designing and replacing food service equipment to create additional social distancing would likely be acceptable. Cosmetic changes or upgrades to facilities which do not improve the campus COVID-19 response would likely not be acceptable.*

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Capital expenditures – what's allowable?

- Many of our lecture halls have swivel seats that are embedded in concrete. These seats are not well suited to social distancing. Is it a minor remodeling to remove those seats and replace them with completely moveable seating options?

- The College would like to reconfigure desks at center buildings. Students, faculty, staff and visitors enter these complexes on a daily basis. Currently, the desks are inadequately positioned and constructed to provide protection against airborne contagions. The request is to move the desks to the center of the entranceway causing those entering the building to enter on one side of the desk and those that exit on the other side of the desk to promote social distancing. Additionally, the request is to elevate the desk and place a glass partition around the structure to provide a barrier against the transmission of COVID-19.
  - DoE FAQ's indicate the "purchase or costs of the installation of "room dividers" within a previously completed building to increase social distancing" are "permissible minor remodeling". It appears likely that replacing fixed seating with other seating to enhance social distancing would likely be an analogous and acceptable expense (although not explicitly listed as an example of minor remodeling)
  - (FAQ #24) However, as with all expenditures, the institution should consider if the expenditure had been determined necessary prior to COVID-19 (or in this instances was not functioning as intended), which could be indicative of an item which is not "expenses associated with the coronavirus". (FAQ #21)

Technology costs – what's allowable?

- Are ERP/IT System Infrastructure upgrades acceptable?
  - *It depends. If the upgrades can directly be correlated with needs as a result of the coronavirus and providing instruction to students, then likely yes. If the project was already planned and underway prior to March 13, 2020, then likely no*

- ERP Upgrade: We are upgrading our current ERP to another cloud based SAAS product with the same vendor. This comes with a large implementation fee. This cloud based software will allow our faculty and staff to operate remotely and serve students from wherever they are. We were unable to perform all of our functions remotely due to the limitations of our current software. Would this be allowable? Also, could an initial multiyear subscription be allowable?
  - HEERF FAQ's issued October 2, 2020 (FAQ #10) indicates that "an institution may use funds from the Institutional Portion of its section 18004(a)(1) allocation to purchase equipment or software, pay for online licensing fees….associated with a significant change in the delivery of instruction due to the coronavirus. An institution may also use Institutional Portion funds for any other costs for computer system upgrades that are reasonably related to 'significant changes to the delivery of instruction due to the coronavirus'. This would not include, for example, previously planned upgrades to computer systems.

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Technology costs – what's allowable?

- DoE is leaving opportunity for IT related expenses to be charged to the grant.

- It would appear that DoE is emphasizing that any computer/ERP infrastructure items need to be directly correlated with the coronavirus and not representative of upgrades (or repairs) that were going to be needed in the normal course of business.

- For example, if your institution's IT plan indicates that upgrades to switches or servers were needed prior to the pandemic, it potentially becomes difficult to document that the pandemic caused the need for the expenditure. It could be possible that while certain upgrades were already needed, the pandemic caused an additional incremental cost to cover some level of additional service or functionality that was not necessary prior to the pandemic.

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Technology costs – what's allowable?

- We are discussing computer equipment upgrades such as switches, switch gear, a domain controller, VSANs, servers, and additional antivirus/firewall software, as well as temp contracted staff to install, to allow for improved security and performance to serve students and employees from remote locations.
- Upgrading 25 year old Fiber Optic Cable, data switches and wireless networking
  - HEERF FAQ's issued October 2, 2020 (FAQ #10) indicates that "an institution may use funds from the Institutional Portion of its section 18004(a)(1) allocation to purchase equipment or software, pay for online licensing fees….associated with a significant change in the delivery of instruction due to the coronavirus. An institution may also use Institutional Portion funds for any other costs for computer system upgrades that are reasonably related to 'significant changes to the delivery of instruction due to the coronavirus'. This would not include, for example, previously planned upgrades to computer systems.
  - **Therefore, while DoE is leaving opportunity for IT related expenses to be charged to the grant, it would appear that DoE is emphasizing that any computer/ERP infrastructure items need to be directly correlated with the coronavirus and not representative of upgrades (or repairs) that were going to be needed in the normal course of business.** As an example, if your institution's IT plan indicates that upgrades to switches or servers were needed prior to the pandemic, it potentially becomes difficult to document that the pandemic caused the need for the expenditure. It could be possible that while certain upgrades were already needed, the pandemic caused an additional incremental cost to cover some level of additional service or functionality that was not necessary prior to the pandemic.

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Third Polling Question

What has your institution spent the majority of its HEERF institutional funds on?

1. **Technology Upgrades _______________**
2. **Capital Expenditures _______________**
3. **Forgiveness of Student Receivables____**
4. **Student Health/Vaccines_________**
5. **Lost Revenue____________**

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Procurement

- The procurement standards included in Subpart D, Section 200.317–200.327, of the Uniform Guidance apply to procurement of goods and services directly charged to a federal award; the standards don't apply to indirect costs or payroll.
- General procurement standards (§200.318 and §200.319), key items that must be followed include:
  - **Competition** – A nonfederal entity must provide for full and open competition in procuring goods and services. This means situations must be avoided that may prevent competition, such as placing unreasonable requirements on firms to qualify noncompetitive pricing practices between firms or affiliated companies or specifying only a "brand name."
  - **Documented policies** – Nonfederal entities must document procurement procedures and policies. If procedures aren't currently documented, nonfederal entities must make this a priority. If policies already are documented, entities should review those policies and ensure they incorporate and follow applicable regulations. These procedures must ensure all solicitations clearly and accurately describe the requirements of the goods or services to be procured and identify all requirements that bidders must fulfill and the factors used in evaluating bids. In addition, if policies include a prequalified list of persons, firms, or products used in procuring goods and services, the list should be current and include enough qualified sources for open competition.

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Procurement

- Under the general procurement standards (§200.318 and §200.319), key items that must be followed include:
  - **Oversight** – A nonfederal entity must monitor contractors to ensure they perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. This requirement supplements a similar requirement in which contracts only are awarded to those that use funds responsibly and in accordance with the agreement's terms.
  - **Conflicts of interest** – A nonfederal entity must have written policies about conduct of its employees involved in the selection, award, and administration of contracts. These policies must cover both organizational and personal conflict of interest to prevent unfair or noncompetitive awards being provided. These policies also must include disciplinary actions for any violations of the conflict-of-interest standards.
  - **Recordkeeping** – A nonfederal entity must maintain documentation to support the history of the procurement, *i.e.*, rationalization for method used, contractor selection or rejection, basis for contract price, etc.

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Procurement - Micropurchases

- For purchases in which the aggregate dollar amount doesn’t exceed the micropurchase threshold—currently $10,000.
- Purchases may be made without cost or price analysis or soliciting any quotes or bids if the nonfederal entity considers the price to be reasonable based on research, experience, purchase history, or other information and documents it files accordingly.
- In the 2020 revised Uniform Guidance, §200.320 allows nonfederal entities to increase their micropurchase threshold if certain criteria are met and must be authorized or not prohibited under state, local, or tribal laws or regulations.

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Procurement – Small Purchases

- This method is for purchases above the micropurchase threshold but below the simplified acquisition threshold (SAT) as defined by the FAR—currently $250,000, adjusted periodically for inflation
- Price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the nonfederal entity. This doesn’t mean formal bids and solicitations for quotes must be made. Quotes may be obtained from a variety of simple sources, *e.g.*, internet search, vendor price listing, verbal quotes, etc. Similar to the micropurchase method, no cost or price analysis is required.
- A nonfederal entity may compare pricing based on an internet search between a local supply store versus a national chain and select a vendor based on these quotes.

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HEERF II and III Reporting

- **Quarterly Reports**
  - ED confirms that institutions will be required to post the Quarterly Institutional Public Reporting Form (which was updated on May 11, 2021) and the Quarterly Student Public Reporting Form (updated May 13, 2021) for HEERF II and HEERF III funds to their websites by the tenth day following the end of each calendar quarter, as has been that case for HEERF I funds
  - Can quarterly reports be cumulative across multiple HEERF funds? That is, can one quarterly report be posted that includes cumulative HEERF I, II, and III funds in the same report?
    - *Quarterly reports are assumed to merge within a single report an institution's expenditures across the different strands of HEERF grant funds (HEERF I, II, and III) unless an institution's reporting explicitly designates a Quarterly report as only pertaining to a specific set of HEERF funds (e.g., posting a separate Quarterly report for ARP funds). However, each report should be distinct in that each report covers those expenditures under the specific quarterly timeframe.*

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HEERF Reporting – Annual Reports

- HEERF II and HEERF III funds will also be subject to the annual reporting requirement (also detailed for HEERF I above), which is next due in early 2022

- HEERF III funds, in order to be prepared for next year's annual report.
  - ED advises institutions to "carefully document how they prioritize students with exceptional need in distributing emergency financial aid grants to students, as the Department is exploring reporting requirements regarding the distribution of emergency financial aid grants to students.“
  - ED also indicates that it is exploring collecting more information on the HEERF annual report on institutions' implementation of two new required activities Congress added to the American Rescue Plan: implementing evidence-based practices to monitor and suppress the coronavirus, and conducting direct professional judgment (PJ) outreach to financial aid applicants.

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Indirect cost rate – allowable?

- For what items is it permissible/appropriate to add our indirect rate when submitting for expense reimbursement or lost revenue?

- DoE has not provided a complete listing of permissible uses for applying an indirect cost rate, however, has applied the following principle based and direct guidance:
  - 1) Indirect costs may only be applied to Institutional Portion awards (FAQ #43)
  - 2) Indirect costs may NOT be charged to any student grant awards (FAQ #43)
  - 3) Lost revenues should not apply an indirect cost rate
  - 4) Institutions should carefully consider that where an indirect cost rate is applied, costs should be consistently charged as "indirect" or "direct" and may not be "double-charged".

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Revenue Recognition- FASB Institutions

- All HEERF program grants have minimum spending requirements on emergency aid to students
- Per ASU 2018-08, grants are conditional when both a “right of return” (or right of release) and a “barrier to entitlement” exist
- Right of return: Because the grant falls under UG requirements, there is a right of return under OMB’s umbrella of rules.
- Limited Discretion: Department of Education use rules limit the university’s discretion over how funds can be spent. The student portion of all HEERF grants must be spent on providing emergency aid to qualifying students with the most need. For the institutional portion, spending discretion is limited by exclusion and use rules: expenses [including lost revenue] associated with an operating environment that has been affected by the coronavirus pandemic.

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Revenue Recognition- FASB Institutions (continued)

- At risk considerations: This barrier affects the timing of revenue recognition. All HEERF program grants have minimum spending requirements on the student portion.
- HEERF III require that at least 50% of funds be used for emergency grants to students
- In other words, the proportion of revenue recognized under Part B for all HEERF program grants should not exceed the proportion of revenue recognized under Part A.
- To recognize more revenue under Part B places the revenue associated with the incremental spending at risk until a similar proportion of Part A spending has occurred.

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Revenue Recognition- FASB Institutions (continued)

- HEERF III – 50% minimum spending requirement on emergency aid to students.

- **Example:**
  • An institution has a $2 million allocation, has a June 30 year end, draws $700 thousand (K) from G5 on April 15, and disburses to students as aid.

  • The institution draws $900K Part B funds from G5 on April 20 and assigns to lost tuition revenue.

  • On June 30, 2021, the institutions would recognize $700K in Part A revenue, $700K in Part B revenue, and $200K unearned revenue.

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Revenue Recognition – GASB Institutions

- Under Statement No. 33, the HEERF grant is considered a voluntary nonexchange transactions (a legislative agreement, such as a grant, entered into willingly by the parties to the agreement, that is other than an exchange transaction). Revenue can be recognized when all applicable eligibility requirements are met.

- Student portion eligibility requirements: Institutions must select students with the greatest need to receive HEERF emergency aid grants. These selection criteria (and ensuring the exclusion of non-resident and DACA students) are eligibility requirements. Once students are selected and aid is disbursed, grant revenue can be recognized as funds are provided to students. Grant funds drawn before student selection and disbursement would be classified as unearned revenue

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Revenue Recognition – GASB Institutions (continued)

- Institutional portion eligibility requirements: Revenue on institutional funds (Part B) can be recognized as minimum required spending on emergency aid grants to students (Part A) occurs. Meeting the minimum student aid disbursement criteria is an eligibility criteria requirement – specifically a contingency (criteria d) in paragraph 20 of Statement No. 33 – for institutional funds revenue recognition. Until student funds are used, any institutional funds drawn and applied to eligible uses would be unearned revenue. This is consistent with paragraph 15 of Statement No. 33 in that revenue is unearned by recipients until allowable costs have been incurred and any other eligibility requirements have been met.

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Revenue Recognition – GASB Institutions (continued)

- HEERF III – 50% minimum spending requirement on emergency aid to students.
- **Example:**
  - An institution has a $2 million allocation, has a June 30 year end, draws $700 thousand (K) from G5 on April 15, and disburses to students as aid.
  - The institution draws $900K Part B funds from G5 on April 20 and assigns to lost tuition revenue.
  - On June 30, 2021, the institutions would recognize $700K in Part A revenue, $700K in Part B revenue, and $200 K unearned revenue.

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