



U.S. Department of Education  
Office of Inspector General

# The Office of Postsecondary Education's Oversight of Higher Education Emergency Relief Fund Grants

June 1, 2022  
ED-OIG/A20CA0029

*ED OIG Oversight of Coronavirus Response Funds*



## NOTICE

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. The appropriate Department of Education officials will determine what corrective actions should be taken.

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**UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL**

Audit Services

June 1, 2022

**TO:** Michelle Asha Cooper, Ph.D.  
Deputy Assistant Secretary for Higher Education Programs Delegated the Authority to Perform the Functions and Duties of the Assistant Secretary, Office of Postsecondary Education

**FROM:** Bryon S. Gordon /s/  
Assistant Inspector General for Audit

**SUBJECT:** Final Audit Report, "The Office of Postsecondary Education's Oversight of Higher Education Emergency Relief Fund Grants," Control Number ED-OIG/A20CA0029

Attached is the subject final audit report that consolidates the results of our review of the Office of Postsecondary Education's oversight of Higher Education Emergency Relief Fund grants. We have provided an electronic copy to your audit liaison officer. We received your comments on the draft of this report and considered them as we prepared the report.

U.S. Department of Education policy requires that you develop a final corrective action plan within 30 days of the issuance of this report. The corrective action plan should set forth the specific action items and targeted completion dates necessary to implement final corrective actions on the finding and recommendations contained in this final audit report. Corrective actions that your office proposes and implements will be monitored and tracked through the Department's Audit Accountability and Resolution Tracking System.

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General is required to report to Congress twice a year on the audits that remain unresolved after 6 months from the date of issuance.

We appreciate your cooperation during this review. If you have any questions, please contact me at (202) 987-0162 or [Bryon.Gordon@ed.gov](mailto:Bryon.Gordon@ed.gov) or Daniel Schultz, Director of Pandemic Relief Audits, at (202) 262-1046 or [Daniel.P.Schultz@ed.gov](mailto:Daniel.P.Schultz@ed.gov).

Attachment

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## Results in Brief

### What We Did

The objective of the audit was to determine whether the Office of Postsecondary Education (OPE) has an adequate process in place to ensure that institutions of higher education (schools) use Higher Education Emergency Relief Fund (HEERF) grant funds appropriately and that performance goals are met. Our audit covered OPE's oversight and monitoring activities in these areas from March 2020 through February 2022. It also included related activities<sup>1</sup> performed by other U.S. Department of Education (Department) offices.

To achieve our objective, we interviewed officials from OPE and other Department offices who were responsible for processes associated with administering and monitoring HEERF grant funds and for establishing and monitoring HEERF performance goals. We also reviewed records relevant to these processes, including OPE guidance, technical assistance, and other documents covering schools' application for, use of, and reporting on HEERF grant funds; and the Department's fiscal year (FY) 2020 Annual Performance Report and FY 2022 Performance Plan.

### What We Found

OPE needs to strengthen its oversight processes to ensure that schools use HEERF grant funds appropriately and that performance goals are met. OPE established and implemented several controls to promote transparency and accountability in program administration, including providing guidance and other technical assistance to schools on the appropriate uses of HEERF grant funds, requiring that schools post to their websites or submit to OPE various reports on their uses of funds as well as other information (HEERF reports), and taking steps to expand independent audit coverage for schools. However, OPE did not perform or document several key activities that are essential to effective program oversight. Specifically, OPE did not (1) develop a monitoring framework to guide its monitoring practices, procedures, and controls; (2) conduct a risk assessment of the HEERF program to identify potentially significant areas of concern; and (3) design and implement a risk-based monitoring plan to provide

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<sup>1</sup> These activities included developing grant funding allocation tables for schools, developing and overseeing the HEERF annual reporting data collection forms, resolving HEERF-related external audit findings, and coordinating the approval of HEERF-related products (for example, Frequently Asked Questions documents) through the Office of Management and Budget.

assurance that HEERF grant funds are being used appropriately and performance goals are being met.

Regarding performance goals, OPE established a metric related to the timeliness of its initial HEERF awards to schools. However, OPE did not otherwise establish any clear performance goals for the HEERF program or specific metrics that would provide a basis against which it could monitor individual schools' performance or report on outcomes at the program level. The quarterly and annual HEERF reports that OPE required schools to complete contain information on uses of funds that could be useful for performance monitoring and to help gauge program effectiveness. OPE planned to rely on these HEERF reports as well as independent audits to make information on schools' uses of HEERF grant funds available for public transparency and accountability purposes. However, OPE did not have a process for compiling and assessing information from schools' audits and reports, and it needs to take additional actions to fulfill its oversight responsibilities by using relevant and available information to improve its monitoring of school compliance and program performance.

Challenges encountered in grantee oversight can partly be attributed to increased workload and resource demands related to administering and monitoring a new program with a large number of grantees. In response to the increase in OPE's workload with the addition of the HEERF grants, HEERF-related responsibilities were spread across OPE and many existing OPE employees had to supplement their normal grant workload with additional HEERF-related tasks. According to OPE, its administration of the HEERF program has been in a state of continuous improvement and its plans for monitoring are evolving. While we recognize the benefits of improving processes over time, we urge OPE to finalize its monitoring plans as soon as possible given that the HEERF program has already been operational for about 2 years and many of the activities described in this finding should be performed early in program implementation.

Without effective oversight processes, there is an increased risk that OPE will not identify or become aware of significant compliance or performance issues involving the \$76 billion HEERF program. Schools' misuse or mismanagement of HEERF grant funds reduces the funds available for students who need them. Additionally, OPE's limited efforts around performance management affect its ability to describe in clear and quantifiable terms the overall impact of the HEERF program, which is critical to demonstrating to the public how this large investment of public funds has been used and also could help inform oversight and deliberations within Congress concerning future emergency funding. Lastly, because OPE has not performed or documented several key activities, it may not have the information that it needs to make informed and strategic decisions concerning staffing levels and other resources that are necessary to ensure effective program oversight.

## What We Recommend

We recommend that the Assistant Secretary for OPE develop guidance containing key steps for OPE staff to follow if they are tasked with implementing emergency programs when experiencing resource and time constraints. We also recommend that the Assistant Secretary for OPE develop a monitoring framework for the HEERF program that uses a risk assessment process to identify and prioritize significant program risks, and design and implement a risk-based monitoring plan and associated key control activities. The plan should ensure that OPE focuses its monitoring efforts and targets its resources on schools and areas identified as posing higher risks of noncompliance with program requirements, including those related to uses of funds, and on performance outcomes established in alignment with HEERF program objectives, which OPE must also ensure are clearly defined and assessed on an ongoing basis.

## OPE Comments and Our Response

We provided a draft of this report to OPE for comment. We summarize OPE's comments at the end of the finding and provide the full text of the comments at the end of this report.

While OPE did not state whether it agreed or disagreed with the finding, OPE stated that the finding and recommendations did not sufficiently recognize the challenges that it faced when administering the HEERF program and the improvements that it made on a continuous basis. OPE partially agreed with both of our recommendations and described some of the actions it has taken or will take in response to our recommendations.

OPE partially agreed with Recommendation 1.1, stating that it would develop additional guidance with key steps for OPE staff to follow if they are tasked with implementing emergency programs in the future. OPE also partially agreed with Recommendation 1.2, stating that it is appropriate to develop a monitoring framework for the HEERF program that uses a risk assessment process to identify and prioritize significant program risks. OPE stated that it has done this over the course of the HEERF program and described some of its monitoring efforts, which it said are continuously improving. OPE also said that it planned to use the *OPE Monitoring and Compliance Plan*, in conjunction with a *HEERF Monitoring Plan*, to guide its monitoring efforts. Additionally, OPE described some of the challenges it faced, including its awarding of 30,000 grants across 3 pieces of legislation while simultaneously developing the HEERF program and navigating the national emergency with limited staff and resources. Lastly, OPE noted that it worked to implement as many processes as it practicably could, given the need to quickly distribute grant funds to schools to address the national emergency.

We disagree with OPE's suggestion that our report does not sufficiently recognize the challenging circumstances under which it was operating when implementing the HEERF

program and its evolving oversight efforts. This report acknowledges and describes the challenges that OPE faced and the actions taken to promote transparency and accountability for the HEERF program, while also making some recommendations for improvement.

Regarding Recommendation 1.1, OPE's proposed action to develop additional guidance with key steps for OPE staff to follow if they are tasked with implementing emergency programs in the future, if implemented as described, is responsive to this recommendation.

Regarding Recommendation 1.2, we do not agree that OPE had a monitoring framework in place over the course of the HEERF program. As noted in the finding, OPE did not perform or document several key activities (such as developing a monitoring framework, conducting a risk assessment, and designing and implementing a risk-based monitoring plan) that are essential to effective program oversight and required by the Department's *Guide for Managing Formula Grant Programs* that OPE purported to follow. While we acknowledge that OPE's plans to use the *OPE Monitoring and Compliance Plan* and *HEERF Monitoring Plan* to guide its monitoring efforts could address some of the issues identified in this finding, OPE had not used either plan as a guide as of the end of our audit fieldwork. OPE's original plan to follow the Department's *Guide for Managing Formula Grant Programs*, in conjunction with its proposed action to use the *OPE Monitoring and Compliance Plan* and *HEERF Monitoring Plan*, would be responsive to our recommendation if OPE addresses the missing key monitoring actions it has yet to implement.

We did not revise the finding or recommendations in response to OPE's comments. We did, however, add another step that OPE took to promote transparency and accountability for the HEERF program.



## Introduction

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted on March 27, 2020, provided about \$14 billion for the Higher Education Emergency Relief Fund (HEERF) program to mitigate the impact of the coronavirus on students and schools. After the CARES Act, Congress passed two additional coronavirus relief laws that provided additional HEERF funding. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) was signed into law on December 27, 2020, authorizing an additional \$22.7 billion for the HEERF program. On March 11, 2021, the American Rescue Plan (ARP) was signed into law, authorizing \$39.6 billion in additional HEERF funding. The HEERF funds were to be used to defray expenses associated with the coronavirus, carry out student support activities, and provide financial aid grants to students. Collectively, more than \$76 billion was provided for the HEERF program through the CARES Act, CRRSAA, and ARP.<sup>2</sup> The U.S. Department of Education's (Department) Office of Postsecondary Education (OPE) is responsible for administering and overseeing the HEERF grants, which were awarded to more than 4,900 schools. As part of its oversight duties, OPE is responsible for monitoring schools to ensure that they use HEERF grant funds appropriately and that HEERF performance goals are met.

## Office of Postsecondary Education

OPE administers more than 60 programs that were intended, in part, to increase access to quality postsecondary education. Enactment of the CARES Act in March 2020 led to a significant increase in OPE's grant administration and oversight workload. In fiscal year (FY) 2019, prior to the enactment of the CARES Act, OPE was responsible for administering about 5,000 grants. However, OPE's workload more than tripled to almost 17,000 grants in FY 2020 with the addition of the HEERF grants. By the end of May 2021 (about 14 months after the CARES Act was enacted), OPE had awarded \$66 billion in HEERF funding—about 33 times more than the \$2 billion it has typically awarded each year.

## HEERF Program Administration and Structure

Shortly after the CARES Act was enacted, senior leaders from OPE and other Department offices, including the Office of the Under Secretary (OUS); Office of Planning, Evaluation, and Policy Development (OPEPD); Office of the General Counsel (OGC); and Office of Finance and Operations (OFO), collaborated to help implement the

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<sup>2</sup> As of March 7, 2022, OPE had awarded \$75 billion (99 percent) of the more than \$76 billion in HEERF funding provided by the CARES Act, CRRSAA, and ARP, which comprises 10 subprograms that are identified by separate Assistance Listing Numbers.

HEERF program and make early HEERF-related decisions. Two committees (Steering Committee and Operations Committee) and a work group were established within the Department to help facilitate this process. The committees and work group were composed of senior political leaders, career employees, or both, from several Department offices, including OUS, OPE, OPEPD, OGC, OFO, and the Office of Elementary and Secondary Education (OESE). They helped implement the HEERF program by making key strategic decisions regarding the HEERF framework and funding, reviewing policy and operational issues, and performing the daily activities necessary to execute the strategy, respectively. By August 2021, OPE’s Emergency Response Unit (ERU) had fully taken over the responsibility of administering and overseeing the HEERF program. The table below provides additional information about the composition and responsibilities of the committees, work group, and ERU.

**Table. Composition and Responsibilities of the HEERF Committees, Work Group, and ERU**

Entity	Composition	Responsibilities
Steering Committee	Established in March 2020, the committee was initially composed of senior political leaders from several Department offices including OUS, OPEPD, and OFO. The committee’s composition expanded over time to include career employees and political staff and employees from additional Department offices, including OGC.	The committee was established to help implement the CARES Act Emergency Stabilization Fund programs, including the HEERF program. The committee was responsible for making key strategic decisions for the HEERF program, including decisions regarding the basic framework of the program, methodology for allocating and awarding grant funds to schools, and how best to distribute funds to schools.
Operations Committee	Established in March 2020, the committee was composed of the Assistant Secretary and senior advisors at OPE, as well as senior leaders and career employees at OPEPD and OESE.	The committee was responsible for reviewing policy and operational matters for the HEERF program.

Entity	Composition	Responsibilities
Work Group	Established in March 2020, the work group was composed of senior career employees from several Department offices including OPE, OPEPD, OGC, and OFO. As of the end of our fieldwork in February 2022, a work group focused on HEERF funding provided under ARP was still operational.	The group was responsible for establishing the processes and related guidance needed to execute the key strategic decisions made by the Steering Committee. It performed daily activities to execute the committee's strategy and developed key documents, such as Frequently Asked Questions (FAQ) documents and Recipient Funding Certification and Agreement forms.
ERU	Established the ERU within OPE in September 2020. Prior to this, OPE officials and staff who typically worked on non-HEERF matters adjusted their work priorities to help develop and implement the HEERF program. In addition, an employee from OGC was detailed to OPE to help implement the HEERF program.	The ERU is responsible for administering and overseeing the HEERF program, which in part includes monitoring schools' use of HEERF grant funds and progress towards achieving HEERF performance goals.

## **Finding. OPE Needs to Strengthen its Oversight Processes to Ensure that Schools Use HEERF Grant Funds Appropriately and Performance Goals are Met**

OPE needs to strengthen its oversight processes to ensure that schools use HEERF grant funds appropriately and performance goals are met. OPE established and implemented several controls to promote transparency and accountability in program administration, including providing guidance and other technical assistance to schools on the appropriate uses of HEERF grant funds, requiring that schools post to their websites or submit to OPE various reports on their uses of funds as well as other information (HEERF reports), and taking steps to expand independent audit coverage for different types of schools. However, OPE did not perform or document several key activities that are essential to effective program oversight. Specifically, OPE did not (1) develop a monitoring framework to guide its monitoring practices, procedures, and controls; (2) conduct a risk assessment of the HEERF program to identify potentially significant areas of concern; and (3) design and implement a risk-based monitoring plan to provide assurance that HEERF grant funds are being used appropriately and performance goals are being met.

Regarding performance goals, OPE established a metric related to the timeliness of its initial HEERF awards to schools. However, OPE did not otherwise establish any clear performance goals for the HEERF program or specific metrics that would provide a basis against which it could monitor individual schools' performance or report on outcomes at the program level. The quarterly and annual HEERF reports that OPE required schools to complete contain information on uses of funds that could be useful for performance monitoring and to help gauge program effectiveness. OPE planned to rely on these HEERF reports and independent audits to make information on schools' uses of HEERF grant funds available for public transparency and accountability purposes. However, OPE did not have a process for compiling and assessing information from schools' audits and reports. As a result, OPE needs to take additional actions to fulfill its oversight responsibilities by using relevant and available information to improve its monitoring of school compliance and program performance. Without effective oversight processes, there is an increased risk that OPE will not identify or become aware of significant compliance or performance issues involving the \$76 billion HEERF program.

### **OPE Took Certain Steps to Promote Transparency and Accountability**

OPE, in collaboration with other Department offices including OGC, OPEPD, and OFO, established certain controls when implementing the HEERF program that were

intended, in part, to help ensure that schools received funds timely and were informed of the appropriate uses of HEERF grant funds. OPE's primary goal after the CARES Act was enacted was to allocate and award HEERF grant funds to schools as quickly as possible, aligning with the Department's priorities and at least part of the Office of Management and Budget's (OMB) guidance at the time.<sup>3</sup> To achieve its primary goal, OPE used the Department's existing grants management system to help expedite schools' access to HEERF grant funds. To help inform schools of the HEERF requirements and appropriate uses of HEERF grant funds, OPE, in collaboration with other Department offices, took multiple actions, which evolved over time. Specifically, OPE divided the primary HEERF funding stream into separate subprograms, including one for institutional costs and another for emergency financial aid grants to students, in response to the CARES Act requirement that schools distribute at least 50 percent of their primary HEERF funding stream to students as emergency financial aid grants to help cover expenses related to the disruption of campus operations due to the coronavirus. Schools could use the remaining funds for additional emergency financial aid grants, or to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus.

OPE also prepared several FAQ documents that provided information in key areas, such as the HEERF grant application process, proper use of funds, reporting requirements, cash management, and other areas of technical assistance. According to OPE, all major HEERF program design decisions and related products (for example, FAQ documents) were cleared through OMB. In addition, OPE established a HEERF mailbox and phone line (HEERF Customer Care Center) for stakeholders to submit questions, and provided other technical assistance and guidance to schools through letters, memoranda, and webinars. It also prepared Recipient Funding Certification and Agreement forms that described or included references to applicable Federal requirements that HEERF grant recipients must adhere to, and it required recipients to sign those forms prior to receiving HEERF grant funds. OPE strengthened the language in the Recipient Funding Certification and Agreement forms for CRRSAA and ARP grant recipients based on some of the lessons it learned from the CARES Act process. For example, OPE incorporated the Federal cash management requirements into the forms instead of only including references to those requirements, and it added a 'commitment to compliance' certification for proprietary schools because it deemed them to be higher risk. OPE also

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<sup>3</sup> OMB Memorandum M-20-21, "Implementation Guidance for Supplemental Funding Provided in Response to the Coronavirus Disease 2019" (April 2020), instructed agencies to balance speed with transparency and consider three core principles: mission achievement, expediency, and transparency and accountability.

told us that after ARP was enacted, schools that were closing or on Heightened Cash Monitoring (HCM) 2 were placed on “route pay,” which required those schools to submit a request and describe how HEERF program funds would be used before they could access the funds.<sup>4</sup>

Additionally, OPE required schools to report on their use of HEERF grant funds quarterly and annually. OPE developed a HEERF annual report collection form for the first year following enactment of the CARES Act (2020 annual report collection form) and subsequently updated the collection form for the 2021 annual report. As discussed later in the HEERF Reports section of the finding, the quarterly and annual HEERF reports contain certain information on uses of funds that could be useful to OPE for performance monitoring and to help gauge program effectiveness. Lastly, OPE took steps to expand independent audit coverage for schools by providing feedback to OIG’s Non-Federal Audit Team on the design of the compliance audit guide for proprietary schools with HEERF grants<sup>5</sup> and identifying the Education Stabilization Fund (which includes the HEERF program) as high-risk. Proprietary schools that expended \$500,000 or more in total HEERF grant funds in a fiscal year or were on any HCM status (HCM1 or HCM2) at any point during the fiscal year in which HEERF grant funds were expended had to submit a compliance audit covering the school’s administration of the entire HEERF grant program, with the first reports due in July 2021. The high-risk designation ensured that the HEERF program would be covered by the compliance review portion of the FY 2021 Single Audits that independent auditors conduct for public and nonprofit schools.<sup>6</sup>

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<sup>4</sup> The Department’s Federal Student Aid can place schools with financial or compliance issues on a HCM payment method (HCM1 or HCM2) to provide additional oversight of funds. HCM1 is less restrictive in that the school can still draw down Federal funds in the same way as a school with no restrictions (advance payment method), if certain criteria are met. Under HCM2, a school cannot receive Federal funds under the advance payment method. It must first make disbursements to students using its own funds and then submit a Reimbursement Payment Request to the Department to obtain Federal funds for those disbursements (reimbursement payment method).

<sup>5</sup> OIG’s Guide for Compliance Attestation Engagements of Proprietary Schools Expending HEERF Grants, issued March 31, 2021.

<sup>6</sup> The Single Audit Act, as amended, establishes requirements for audits of States, local governments, Indian tribes, schools, and nonprofit organizations that expend a certain amount in Federal awards during their fiscal year (currently set at \$750,000). Single audits are performed by independent auditors and encompass both financial and compliance components.

## **OPE Did Not Perform or Document Several Key Activities or Establish Performance Metrics that are Essential to Effective Program Oversight**

OPE did not perform or document several key activities that are essential to effective program oversight and required by the Department's *Guide for Managing Formula Grant Programs*. Specifically, although OPE's ERU Director told us that OPE adhered to the Department's Guide, it did not:

- develop a monitoring framework to guide its monitoring practices, procedures, and controls;
- conduct a risk assessment process covering the HEERF program and its recipient schools and use information from that assessment to identify potential areas of concern; or
- design and implement a risk-based monitoring plan for the HEERF program to provide assurance that HEERF grant funds are being used appropriately and performance goals are being met.

A Federal awarding agency must have in place a framework for evaluating the risks posed by applicants before they receive Federal awards. In evaluating risks posed by applicants, the agency may use a risk-based approach and consider items such as financial stability, management systems and standards, history of performance, audit reports and findings, and ability to effectively implement requirements.<sup>7</sup> An effective monitoring framework, in part, should mitigate the most significant program risks identified through a risk assessment designed to assess the program's unique requirements and recipients. A risk assessment should inform a program office's key control activities and other oversight, such as guidance, technical assistance, and monitoring. While OPE performed limited risk assessment activities to inform certain oversight processes, it did not maintain records demonstrating that it performed a comprehensive assessment and analysis to identify and prioritize the most significant HEERF program risks. OPE also did not have a monitoring plan or strategy for the HEERF program to mitigate any significant risks identified through its regular program administration activities. As a result, OPE was not well positioned to make strategic and informed monitoring decisions for the HEERF program.

OPE did not take sufficient action with respect to performance monitoring, which is essential to effective program oversight. OPE established a metric related to the

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<sup>7</sup> Section 200.206(b) of 2 Code of Federal Regulations.

timeliness of its initial HEERF awards to schools.<sup>8</sup> However, OPE did not otherwise establish any clear performance goals for the HEERF program or specific metrics that would provide a basis against which it could monitor individual schools' performance or report on outcomes at the program level. In April 2020, OMB stressed to Federal agencies the importance of reviewing program performance.<sup>9</sup> Eleven months later, in a March 2021 memorandum, OMB informed Federal awarding agencies that performance reporting should focus on intended program outcomes and maximize the use of a risk management approach to emphasize the importance of program performance outcome measures.<sup>10</sup> This memorandum also instructed the agencies to collect recipient performance reports in a manner that enables the Federal Government to articulate the outcomes of Federal financial assistance to the public. Per Federal regulations, agencies were also required to measure recipient performance to show achievement of program goals and objectives, share lessons learned, improve program outcomes, and foster adoption of promising practices.<sup>11</sup>

### **OPE Did Not Use Relevant and Available Information to Help Guide Its Oversight and Monitoring Activities**

OPE planned to rely on quarterly and annual HEERF reports and independent audits to make information on schools' uses of HEERF grant funds available for public transparency and accountability purposes. The quarterly and annual HEERF reports contain certain information on uses of funds that could be useful to OPE for performance monitoring and to help gauge program effectiveness. Additionally, the independent audits are an important tool for determining schools' compliance with program requirements, to include whether their uses of funds are allowable. However, OPE did not have a process for compiling and assessing information from schools' audits and reports and needs to take additional actions to fulfill its oversight responsibilities by

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<sup>8</sup> OPE's metric was to make 100 percent of the HEERF grant funds available to schools within 30 days of the CARES Act passage.

<sup>9</sup> OMB Memorandum M-20-21, "Implementation Guidance for Supplemental Funding Provided in Response to the Coronavirus Disease 2019" (April 2020).

<sup>10</sup> OMB Memorandum M-21-20, "Promoting Public Trust in the Federal Government through Effective Implementation of the American Rescue Plan Act and Stewardship of the Taxpayer Resources" (March 2021).

<sup>11</sup> Sections 200.301 and 200.329 of 2 Code of Federal Regulations.



using relevant and available information to improve its monitoring of school compliance and program performance.

### **HEERF Reports**

OPE officials told us that the HEERF reports were primarily intended to provide transparency regarding schools' use of HEERF grant funds. In November 2020, OPE posted on its website a spreadsheet that tracked whether schools had posted their quarterly HEERF reports on their websites. OPE told us that it took steps to ensure that nonreporting schools posted quarterly HEERF reports on their websites before they received supplemental HEERF funds. However, OPE did not provide documentation demonstrating that it continued to verify schools' compliance with the quarterly HEERF reporting requirement or that it used information from the reports to guide its oversight and monitoring activities. Regarding the annual HEERF reports, according to OPE's ERU Director, the Office of the Chief Data Officer was responsible for collecting and validating the data that schools included in these reports. The Department publishes data from these reports on its Education Stabilization Fund Transparency Portal.<sup>12</sup>

The HEERF annual and quarterly reports contain information that OPE could use to assess risk and make key monitoring decisions. For example, the quarterly reports for the HEERF Institutional grants provide information on school spending in various categories, including how much schools spent on additional grants for students, reimbursements or discounts for tuition, additional technology for students, high-speed internet, off-campus housing, and food service. The quarterly reports for the HEERF Student Aid grants, in part, provide information on the amount that a school distributed to students, the number of students who received emergency grants, and the methods the school used to determine how much students would receive. The 2020 annual reports generally provided similar information but over a longer period.<sup>13</sup>

As previously noted, OPE developed the HEERF 2020 annual report collection form and subsequently updated the collection form for the 2021 annual report. Both the 2020 and 2021 annual report collection forms include information that OPE could use to guide its performance monitoring activities. For example, both forms require schools to report on students' enrollment status after receiving HEERF grant funds, employee

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<sup>12</sup> According to the website for the Department's Education Stabilization Fund Transparency Portal (<https://covid-relief-data.ed.gov/>), its purpose is to provide a view into how Education Stabilization Fund (including HEERF) funds are spent by tracking, collecting, and disseminating data.

<sup>13</sup> Schools are required to post the quarterly reports on their primary website and submit their annual reports to the Department.

staffing levels before and during the coronavirus pandemic, and how the schools used the HEERF grant funds to advance the efforts of the HEERF program, such as by providing tuition discounts, laptops, high-speed internet, or additional emergency financial aid grants to students. OPE's 2021 annual report collection form went a step further by requiring schools to provide additional information on outcomes, including how the HEERF grant funds have helped schools remain open and students stay in school, and whether the HEERF grant funds have enabled the schools to keep student prices<sup>14</sup> and staff salaries comparable to pre-pandemic levels. This information, along with the expenditure data included on both collection forms, could be useful to OPE for performance monitoring and to help gauge program effectiveness. During a meeting with OPE following the exit conference, OPE's Chief of Staff told us that OPE plans to use the information collected in the schools' annual reports to help guide its HEERF oversight activities going forward.

### **Independent Audit Reports**

OPE's reliance on independent audit reports without establishing a risk-based plan to guide its monitoring activities is not sufficient to ensure that schools use HEERF grant funds appropriately and meet performance goals. OPE has not developed or implemented a process for assessing risk that uses audit report findings to identify schools and compliance areas needing additional oversight or otherwise guide its monitoring activities. The Department's Risk Management Services Division (RMSD), in coordination with OGC, was primarily responsible for resolving findings in the independent audit reports.<sup>15</sup> OPE could have used information from the audit reports to help guide its oversight and monitoring activities, but instead relied on independent auditors to monitor schools' use of HEERF grant funds.

Independent audits can be effective tools to improve the integrity and effectiveness of Department programs and help reassure the taxpayers, Congress, and other stakeholders that Federal funds are being used appropriately. Schools' audit reports, when used in conjunction with other monitoring tools and as part of a larger monitoring framework, help ensure proper oversight of Federal grant programs, generally, and of the coronavirus-related programs (including HEERF), specifically. However, they should

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<sup>14</sup> Price refers to costs covered by students and their families.

<sup>15</sup> RMSD is responsible for reviewing and following up on the resolution of HEERF-related findings presented in these audit reports. RMSD officials told us that they follow up on the resolution of audit findings by reviewing subsequent audits to verify that the findings have been resolved. Prior to August 2021, RMSD typically performed its audit resolution duties in concert with OGC. OPE participated in audit resolution meetings with RMSD and OGC starting in August 2021.

not be the only or main source of information guiding OPE's monitoring and oversight activities because compliance audits are not designed to assess grantee performance. In addition, not all schools are subject to an independent audit and the reports are typically issued 6 or 9 months after a school's fiscal year ends, resulting in an impediment for OPE to timely address noncompliance identified at schools. Additionally, OMB extended the deadline for public and private nonprofit schools to submit their FY 2020 and FY 2021 audit reports by 3 or 6 months, depending on the schools' audit report due date.<sup>16</sup> While the extension decreased the burden on schools, it negatively impacted the audit reports' usefulness as an oversight and monitoring tool for the HEERF program because the information was even more dated than under normal reporting timeframes.

### **OPE's Challenges in Administering the HEERF Program and Resource Allocation Decisions**

Challenges encountered in grantee oversight can partly be attributed to increased workload and resource demands related to administering and monitoring a new program with a large number of grantees. As noted in the Introduction, OPE's grant administration workload more than tripled from about 5,000 grants in FY 2019 to 17,000 grants in FY 2020 with the addition of the HEERF grants. By the end of May 2021 (about 14 months after the CARES Act was enacted), OPE had awarded \$66 billion in HEERF funding—about 33 times more than the \$2 billion it typically awards each year. In response to the increase in workload, existing OPE employees and an employee detailed to OPE from another Department office performed various HEERF-related tasks to help implement and administer the HEERF program. HEERF-related responsibilities were spread across OPE and many existing OPE employees had to supplement their normal grant workload with additional HEERF-related tasks. OPE's Senior Advisor for ARP Implementation told us that these employees performed the supplemental HEERF-related work until OPE was able to establish a dedicated unit and acquire additional resources devoted entirely to HEERF administration and oversight.

To help centralize its management and oversight of the HEERF program, OPE established the ERU in September 2020 (6 months after the CARES Act was enacted) and created new positions within the unit that were devoted entirely to HEERF administration and oversight. According to OPE officials, filling the newly created positions was a lengthy and challenging process for OPE. The ERU started with two employees in September 2020 and increased its size to nine employees by December 2020. It took

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<sup>16</sup> Some audit reports covering HEERF activities only became available in September 2021, or about 18 months after the CARES Act program was enacted.

about 9 months (June 2021) for OPE to fill most (26) of the 28 positions it had authority to fill. However, the ERU experienced some attrition shortly thereafter and had only 19 (68 percent) of the 28 positions filled as of December 2021. OPE began assigning administrative and oversight responsibilities for the larger HEERF portfolio to the ERU in January 2021, with all responsibilities having been assigned to the ERU by August 2021.<sup>17</sup> The unit performed various functions that included providing guidance and technical assistance to grantees, verifying the accuracy of grant-related information in the Department's grants management system and in grant award notifications, extending the grant performance period for supplemental HEERF grants under CRRSAA and ARP, and reviewing the Department's grants management system for purposes of identifying large cash drawdowns that might not comply with Federal cash management requirements.

Given the challenges noted above, OPE chose to devote a large portion of its time and resources on its initial, primary goal of awarding and allocating HEERF grant funds to schools as quickly as possible. OPE also devoted significant time and resources to preparing several FAQ documents and conducting listening sessions and webinars, which were designed to address stakeholder feedback and help ensure that schools and other stakeholders understood the HEERF program requirements. However, because of the finite amount of available resources and other competing commitments, OPE did not develop HEERF-specific guidance that would require its program officials to perform necessary oversight activities. Instead, OPE generally relied on others (for example, independent auditors) to identify compliance issues involving the HEERF program.

While it was important for OPE to allocate and award HEERF grant funds timely, it was also important for OPE to design and implement a risk-based monitoring plan to help ensure that schools use those funds appropriately and meet performance goals. A risk-based approach to oversight is especially important when resources are limited. OPE should develop a monitoring plan that is risk-based and designed so that it focuses its attention and resources on the higher risk areas of the HEERF program and schools posing significant risk. Without a monitoring plan, it would be difficult for OPE to track schools' compliance with HEERF and other Federal requirements, measure schools' progress in meeting performance standards, and identify schools that should receive additional oversight.

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<sup>17</sup> For the first 4 months after its creation (September–December 2020), the ERU's sole responsibility was to implement the Institutional Resilience and Expanded Postsecondary Opportunity program, which was a very small part of the larger HEERF program and not covered by our audit.

During an October 2021 audit briefing that we held with OPE and Department officials, OPE's Acting Assistant Secretary told us that OPE's administration of the HEERF program has been in a state of continuous improvement and that OPE had begun documenting its assessment of risk. Following the briefing, OPE provided us with a document titled "HEERF Risk Mitigation and Internal Controls" (created in Summer 2021). OPE told us that it updates this living document when new risk areas and actions to address those risks are identified. The document mentions monitoring of HEERF allocations to closing or merging schools, quarterly and annual reporting, and compliance reviews through external audits. However, it does not describe in any detail OPE's procedures for monitoring these schools or others that may merit review, or for reviewing and using information contained in schools' quarterly and annual HEERF reports and external audit reports to inform its monitoring efforts.

**Without Effective Oversight Processes, OPE Might Not Identify or Become Aware of Significant HEERF Compliance or Performance Issues**

Without effective oversight processes, there is an increased risk that OPE will not identify or become aware of significant compliance or performance issues involving the \$76 billion HEERF program provided to more than 4,900 schools. Schools' misuse or mismanagement of HEERF grant funds reduces the funds available for students who need them. Additionally, OPE's limited efforts around performance management affect its ability to describe in clear and quantifiable terms the overall impact of the HEERF program, which is critical to demonstrating to the public how this large investment of public funds has been used and also could help inform oversight and deliberations with Congress concerning future emergency funding. Lastly, because OPE has not performed or documented several key activities, it may not have the information that it needs to make informed and strategic decisions concerning staffing levels and other resources that are necessary to ensure effective program oversight.

In prior audits, we have identified and reported on the need to enhance schools' compliance with HEERF and other Federal requirements.<sup>18</sup> We issued two HEERF school audit reports that identified noncompliance related to the schools' use of funds (schools used funds for unallowable costs or to pay for services that extended beyond the grant performance period) and cash management (schools drew funds early and did not

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<sup>18</sup> Remington College's Use of HEERF Student Aid and Institutional Grants (ED-OIG/A20CA0017), issued September 2021; Lincoln College of Technology's Use of HEERF Student Aid and Institutional Grants (ED-OIG/A20CA0016), issued September 2021; and Risk of Closed Institutions of Higher Education Receiving Higher Education Emergency Relief Fund Grants (ED-OIG/I21SIU00841), issued May 13, 2021.

maintain them in interest-bearing accounts). We issued another report that identified over \$1.2 million in HEERF grant funds that were awarded to and drawn down by closed schools. These reported findings further support the need for OPE to establish and implement effective oversight processes.

During a January 2022 meeting that we held with OPE, the Director of the ERU told us that OPE's plans for monitoring the HEERF program are evolving and that OPE plans to use the *OPE Monitoring and Compliance Plan (2016)* as a guide when considering its future monitoring efforts. The plan lists several monitoring activities, including risk assessment of grantees, onsite or desk reviews to ensure that schools make adequate progress toward achieving the grant's performance objectives and use Federal funds appropriately, and technical assistance workshops for schools. If used, this plan (in conjunction with the Department's *Guide for Managing Formula Grant Programs*) could help OPE address some of the issues identified in this finding. As of the end of our fieldwork, OPE had not used this plan to help guide its monitoring and oversight activities for the HEERF program. We urge OPE to finalize its monitoring plans as soon as possible given that the HEERF program has already been operational for about 2 years and many of the activities described in this finding should be performed early in program implementation.

### **Supplemental Guidance and Requirements**

The *Government Accountability Office's Standards for Internal Control in the Federal Government* (Green Book) (September 2014) can be used to help design, implement, and operate internal controls to achieve an entity's objectives related to operations, reporting, and compliance.

- Sections 3.09 through 3.11 of the Green Book states that management should develop and maintain documentation of its internal control system. Effective documentation assists in management's design of internal control by establishing and communicating the who, what, where, and why of control execution to personnel. Documentation also provides a means to retain organizational knowledge, mitigate the risk of having that knowledge limited to a few personnel, and communicate that knowledge as needed to external parties, such as external auditors. Management documents internal control to meet operational needs. Documentation of internal control is evidence that controls are identified, capable of being communicated to those responsible for their performance, and capable of being monitored and evaluated by the entity.
- Principle 6 states that management should define objectives clearly to enable the identification of risks and define risk tolerances (section 6.01). In addition, management defines objectives in specific and measurable terms to enable the

design of internal control for related risks (section 6.02), and in measurable terms so that performance toward achieving those objectives can be assessed (section 6.04).

- Principle 7 states that management should identify, analyze, and respond to risks related to achieving the defined objectives (section 7.01).
- Principle 10 states that management should design control activities to achieve objectives and respond to risks. In addition, management should establish activities to monitor performance measures and indicators (Section 10.03)
- Principle 12 states that management should implement control activities through policies.

In addition, the Government Accountability Office's *Internal Control Management and Evaluation Tool* (August 2001) was established to assist agencies in maintaining or implementing effective internal control. Section 6 of the Tool suggests that agencies consider performance measures and indicators that have been established throughout the organization at the entity wide, activity, and individual level. In addition, performance measurement assessment factors are evaluated to ensure they are linked to mission, goals, and objectives.

## Recommendations

We recommend that the Assistant Secretary for OPE—

- 1.1 Develop guidance containing key steps for OPE staff to follow in the event that they are tasked with implementing emergency programs when experiencing resource and time constraints.
- 1.2 Develop a monitoring framework for the HEERF program that uses a risk assessment process to identify and prioritize significant program risks, and design and implement a risk-based monitoring plan and associated key control activities. The plan should ensure that OPE focuses its monitoring efforts and targets its resources on schools and areas identified as posing higher risks of noncompliance with program requirements, including those related to uses of funds, and on performance outcomes established in alignment with HEERF program objectives, which OPE must also ensure are clearly defined and assessed on an ongoing basis.

## OPE Comments

While OPE did not state whether it agreed or disagreed with the finding, it stated that the finding and recommendations did not sufficiently recognize the challenges it faced when administering the HEERF program and making improvements on a continuous

basis. OPE partially agreed with both of our recommendations and described some of the actions it has taken or will take in response to our recommendations.

For Recommendation 1.1, OPE stated that it would develop additional guidance with key steps for OPE staff to follow if they are tasked with implementing emergency programs in the future. OPE also said that it would explore opportunities to work with other offices.

OPE partially agreed with Recommendation 1.2, stating that it is appropriate to develop a monitoring framework for the HEERF program that uses a risk assessment process to identify and prioritize significant program risks. OPE stated that it has done this over the course of the HEERF program and described some of its monitoring efforts, which it said are continuously improving. OPE also said that it planned to use the *OPE Monitoring and Compliance Plan*, in conjunction with a *HEERF Monitoring Plan*, to guide its monitoring efforts. The *HEERF Monitoring Plan* was drafted in October 2021 and is currently being implemented. Additionally, OPE described some of the challenges it faced, including its awarding of 30,000 grants across 3 pieces of legislation while simultaneously developing the HEERF program and navigating the national emergency with limited staff and resources. Lastly, OPE noted that it worked to implement as many processes as it practicably could, given the need to quickly distribute grant funds to schools to address the national emergency.

## **OIG Response**

With the exception of OPE describing an additional requirement for schools that were closing or on HCM2, OPE generally did not provide additional information on its past monitoring and oversight efforts beyond what was already covered in the draft report. We disagree with OPE's suggestion that our report does not sufficiently recognize the challenging circumstances under which it was operating when implementing the HEERF program and its evolving oversight efforts. This report acknowledges and describes the challenges that OPE faced and the actions taken to promote transparency and accountability for the HEERF program, while also making some recommendations for improvement.

Regarding Recommendation 1.1, OPE's proposed action to develop additional guidance containing key steps for OPE staff to follow if they are tasked with implementing emergency programs in the future, if implemented as described, is responsive to this recommendation.

Regarding Recommendation 1.2, we do not agree that OPE had a monitoring framework in place over the course of the HEERF program. As noted in the finding, OPE did not perform or document several key activities (such as developing a monitoring framework, conducting a risk assessment, and designing and implementing a risk-based



monitoring plan) that are essential to effective program oversight and required by the Department's *Guide for Managing Formula Grant Programs* that OPE purported to follow. While we acknowledge that OPE's plans to use the *OPE Monitoring and Compliance Plan* and *HEERF Monitoring Plan* to guide its monitoring efforts could address some of the issues identified in the finding, OPE had not used either plan as a guide as of the end of our audit fieldwork. OPE's original plan to follow the Department's *Guide for Managing Formula Grant Programs*, in conjunction with its proposed action to use the *OPE Monitoring and Compliance Plan* and *HEERF Monitoring Plan*, would be responsive to our recommendation if OPE addresses the missing key monitoring actions it has yet to implement.

We did not revise the finding or recommendations in response to OPE's comments. We did, however, add another step that OPE took to promote transparency and accountability for the HEERF program.

## Appendix A. Scope and Methodology

Our audit covered OPE’s processes (oversight and monitoring activities) for ensuring that schools used HEERF grant funds appropriately and related performance goals were met from March 2020, when the CARES Act was enacted, through February 2022. It also included related activities performed by other Department offices, including OGC; the Office of the Chief Data Officer within OPEPD; and the Office of Budget Service and RMSD within OFO.<sup>19</sup> These activities included developing grant funding allocation tables for schools, developing and overseeing the HEERF annual reporting data collection forms, resolving HEERF-related external audit findings, and coordinating the approval of HEERF-related products (for example, FAQ documents) through OMB.

To achieve our objective, we first gained an understanding of the following laws, regulations, guidance, and reports relevant to OPE’s processes for ensuring that grantees used HEERF grants funds appropriately and related performance goals were met:

- section 18004 of the CARES Act, “Higher Education Emergency Relief Fund”;
- section 314 of the CRRSAA, “Higher Education Emergency Relief Fund”;
- section 2003 of the ARP, “Higher Education Emergency Relief Fund”;
- 2 Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, section 200.205 (version 2020) and section 200.206 (version 2021), “Federal awarding agency review of risk posed by applicants”;
- OMB M-20-21, “Implementation Guidance for Supplemental Funding Provided in Response to the Coronavirus Disease 2019” (April 2020);
- OMB M-21-20, “Promoting Public Trust in the Federal Government through Effective Implementation of the American Rescue Plan Act and Stewardship of the Taxpayer Resources” (March 2021);
- OMB Circular A-11, “Preparation, Submission, and Execution of the Budget” (December 2019), Part 6, sections 200 and 230;
- OMB Circular A-123, “Management’s Responsibility for Enterprise Risk Management and Internal Control” (July 2016);
- Government Accountability Office, *Standards for Internal Control in the Federal Government* (September 2014);

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<sup>19</sup> In January 2022, the Office of Budget Service moved from OFO to OPEPD.

- the Department's *Guide for Managing Formula Grant Programs* (August 2019); and
- the Department's FY 2020 Annual Performance Report and FY 2022 Annual Performance Plan.

We then gained an understanding of OPE's oversight and monitoring activities through interviews. We interviewed employees, officials, or both, from OPE, OGC, OPEPD, and OFO who had a significant role in establishing, administering, or monitoring the HEERF program. To assess the reliability of the testimonial evidence, we compared information obtained through interviews with records related to OPE's oversight and monitoring activities when provided by the interviewees. We concluded that the testimonial evidence we obtained was sufficiently reliable within the context of our audit objective.

Next, we reviewed documents and records. We reviewed OPE guidance and technical assistance documents covering the schools' application for, use of, and reporting on HEERF grant funds; Recipient Funding Certification and Agreement forms; and sample letters that OPE sent to schools describing how they could access their HEERF grant funds and how they should report their use of those funds. We also reviewed documents identifying the Department offices and staff who had a role in establishing, administering, or monitoring the HEERF program; OPE's first annual data collection on schools' use of HEERF grant funds from March 13, 2020, through December 31, 2020, and its updated annual data collection form that will be used for 2021 and beyond; and the Department's FY 2020 Annual Performance Report and FY 2022 Performance Plan. The purpose of this review was to gain an understanding of how OPE administered and monitored HEERF grant funds and established and tracked HEERF performance goals.

We then obtained an understanding of all five areas of internal control (control environment, risk assessment, control activities, information and communication, and monitoring) relevant to OPE's oversight and monitoring activities for the HEERF program. While all five areas of internal control are important, we concluded that the following areas and principles of internal control were significant to our audit objective.

- Control environment—oversight structure, oversight for the internal control system, assignment of responsibility and delegation of authority, and documentation of OPE's and the Department's internal control system.
- Risk assessment—risk identification, analysis of risk, responses to risk, including consideration of the potential for fraud.
- Control activities—design of appropriate types of control activities, design of control activities at various levels, documentation of responsibilities through policies, and periodic review of control activities.

As discussed in our [finding](#), we identified weaknesses in OPE's HEERF oversight processes, particularly with respect to its risk assessment and control activities.

### **Compliance with Standards**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

We remotely conducted our audit from May 2021 through February 2022. We discussed the results of our audit with OPE and other Department officials on December 17, 2021, and provided them with a draft of this report on March 29, 2022.

## Appendix B. Acronyms and Abbreviations

ARP	American Rescue Plan
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CRRSAA	Coronavirus Response and Relief Supplemental Appropriations Act
Department	U.S. Department of Education
ERU	Emergency Response Unit
FAQ	Frequently Asked Questions
FY	fiscal year
Green Book	The Standards for Internal Control in the Federal Government
HCM	Heightened Cash Monitoring
HEERF	Higher Education Emergency Relief Fund
OESE	Office of Elementary and Secondary Education
OFO	Office of Finance and Operations
OGC	Office of the General Counsel
OMB	Office of Management and Budget
OPE	Office of Postsecondary Education
OPEPD	Office of Planning, Evaluation and Policy Development
OUS	Office of the Under Secretary
RMSD	Risk Management Services Division
schools	institutions of higher education

## OPE Comments



**UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF POSTSECONDARY EDUCATION**

**MEMORANDUM**

**DATE:** 5/25/2022

**TO:** Daniel P. Schultz  
Director of Pandemic Relief Audits  
Office of Inspector General  
U.S. Department of Education

Keith Cummins  
Director of State and Local Advisory & Assistance  
Office of the Inspector General  
U.S. Department of Education

**FROM:** Michelle Asha Cooper, Ph.D.,  
Acting Assistant Secretary, Office of Postsecondary Education  
U.S. Department of Education

**SUBJECT:** Draft Audit Report  
"The Office of Postsecondary Education's Oversight of Higher Education  
Emergency Relief Fund Grants"  
(ED-OIG/A20CA0029)

Thank you for the opportunity to provide comments on the above-referenced draft audit report. We appreciate the work that went into drafting this report, the sharing of observations for the Department of Education's (ED) attention, and the opportunity to review and comment on the draft report.

We have reviewed the draft report and are providing comments to the report through this memorandum. As requested, we are sending a copy of our comments as a PDF file to Daniel P. Shultz ([Daniel.P.Schultz@ed.gov](mailto:Daniel.P.Schultz@ed.gov)), Director of Pandemic Relief Audits, and Keith Cummins, Director of State and Local Advisory & Assistance ([Keith.Cummins@ed.gov](mailto:Keith.Cummins@ed.gov)). We are also providing an electronic copy of our comments in a Microsoft Word file to meet accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended.

It is our understanding that the objective of the audit was to determine whether the Office of Postsecondary Education (OPE) has an adequate process in place to ensure that institutions of higher education use Higher Education Emergency Relief Fund (HEERF) grants appropriately and that performance goals were met. Additionally, we understand the recommendations made are to the Assistant Secretary of OPE as written in the report.

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The Department of Education's mission is to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.

We provide our specific comments on the draft report as follows: (Office of Postsecondary Education's Oversight of Higher Education Emergency Relief Fund Grants (ED-OIG/A20CA0029)).

**FINDING NO. 1—OPE Needs to Strengthen its Oversight Processes to Ensure that Schools Use HEERF Grant Funds Appropriately and Performance Goals are Met**

**OIG RECOMMENDATION:**

- 1.1** Develop guidance containing key steps for OPE staff to follow in the event that they are tasked with implementing emergency programs when experiencing resource and time constraints.

**OPE RESPONSE**

OPE agrees in part with the recommendation but wishes to clarify what appears to be at the core of the recommendation. OPE agrees to develop additional guidance containing key steps for OPE staff to follow in the event we are tasked with implementing emergency programs. This additional guidance will supplement existing materials, some of which are described below.

It is important to note that much of the specific guidance that applies to the administration of an emergency grant program is dependent on the type of emergency and requirements that accompany the statutory language of funds authorized and appropriated. We understand that generally having guidance is a key to grant implementation.

For additional context, OPE did not operate independently when staff were tasked with administering the HEERF program. In coordination and collaboration with the Office of the General Counsel (OGC), the Grant's Policy office, the Office of Budget Service, and other offices, OPE followed some general principles that were used in the implementation of other emergency relief programs, like the American Recovery and Reinvestment Act, a law enacted in response to another type of national emergency. OPE staff also worked to ensure that the HEERF grants were administered within the existing Department of Education grant-making policies and procedures. It is because of OPE's coordinated approach—considering the factual and legal circumstances of this particular emergency, and budgetary matters at the onset of making awards—that staff were able to issue over 30,000 grant awards to more than 5,000 institutions of higher education (IHEs) in a timely manner.

In practical terms, the circumstances of the COVID-19 emergency were unparalleled in recent history and implementing the Emergency Stabilization Fund (ESF) has been and remains a whole-of-agency effort involving several offices within the Department. OPE has numerous existing resources in place to manage grant administration, which served as the basis for administering the HEERF program. These resources include the *Handbook for the Discretionary Grant Process* and the *Guide for Managing Formula Grant Programs*, which form the basic set of procedures and standards ED uses in its grantmaking. As OPE and our collaborative partner offices moved through the process of obligating HEERF awards, we recognized areas for continual process improvement, and implemented the improvements in as timely a process as

practicable. We used what we learned through this process and prior national emergencies and other related situations to identify key areas to consider when we are charged with administering future emergency program funds. We also became more proficient in our ability to adapt processes in real time, with significant staff constraints to account for continuous learning. We do not think the findings and the recommendation sufficiently recognize the challenges that were faced and the improvements that were and are being made on a continual basis.

Drawing on this experience and the previous experience from prior emergency relief programs, OPE will establish a set of guiding principles and steps that staff will take in the event of a future emergency, although the specifics of any steps may need to allow for variations depending on the specific nature of the emergency and the specific requirements in any emergency relief statute. Acknowledging that often emergency programs involve a broader and often agency-wide effort, OPE will explore opportunities to work with the other offices such as Grants Policy and Training Division to determine whether principles and steps should be established beyond OPE.

## **OIG RECOMMENDATION**

**1.2** Develop a monitoring framework for the HEERF program that uses a risk assessment process to identify and prioritize significant program risks, and design and implement a risk-based monitoring plan and associated key control activities. The plan should ensure that OPE focuses its monitoring efforts and targets its resources on schools and areas identified as posing higher risks of noncompliance with program requirements, including those related to uses of funds, and on performance outcomes established in alignment with HEERF program objectives, which OPE must also ensure are clearly defined and assessed on an ongoing basis.

## **OPE RESPONSE**

OPE once again concurs, in part, with the recommendation that it is appropriate to develop a monitoring framework for the HEERF program that uses a risk assessment process to identify and prioritize significant program risks. As noted above, OPE has done this over the course of the HEERF program and OPE's monitoring efforts can and should be described as one of continuous improvement. As referenced in the OIG's draft report, OPE planned to use established protocols in the OPE Monitoring and Compliance Plan as a guide in its monitoring efforts. This plan has been further tailored to create a HEERF Monitoring Plan currently in use by the Emergency Response Unit and continuously assessed and improved. The latest iteration of this plan was drafted in October 2021 and is being implemented. OPE also continues to assess and improve upon its monitoring plan as it uncovers new information stemming from such sources as HEERF audits and annual report data.

However, as noted above in response to the earlier finding and recommendation, we do not think the findings and recommendations sufficiently recognize the challenges that were faced and improvements that were and are being made on a continuing basis. It is important to note that, given the significant amount of funds under HEERF – exceeding 30,000 awards across three pieces of legislation – because of unparalleled circumstances, OPE was in a state of awarding grants as it was simultaneously developing the program, and navigating the national emergency with limited staff and resources that had to themselves transition from in-person to remote



circumstances. As referenced above, OPE relied on past practices and the protocols and processes already in place to the extent relevant to administer grant funds. These processes would typically assess risk and administer funds accordingly on the front end and set up monitoring and oversight after funds are obligated. Because of the ongoing emergency and multiple rounds of legislation authorizing funds, OPE was working continuously to administer funds and put as many processes effectively in place as it practicably could, given the need to get funds out quickly to address the national emergency. Under HEERF legislation, every institution specified by Congress under certain sections of the HEA was eligible, and OPE mitigated risk by employing established tools, as outlined below.

OPE is committed to ensuring that institutions are using HEERF grants appropriately, addressing and mitigating risk and conducting grantee monitoring and oversight. OPE has been committed to each of these tasks from the very start of the HEERF program and has worked through each iteration of HEERF to improve our efforts, many of which are mentioned directly in OIG's report. These steps accounted for risk and implemented policies and procedures to ensure broad oversight with limited time and resources.

These efforts include, but are not limited to:

- Splitting HEERF into separate institutional and student funding streams, with authorized uses and separate certification and agreement forms;
- Establishing a dedicated help line and email address to respond to the various questions and inquiries about the program;
- Providing significant guidance, webinars, and FAQs to address the questions we were receiving and to help ensure compliance with Federal grant program requirements;
- Preparing certification and agreement forms that describe Federal requirements, including updating the forms under the *Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)* and ARP to clarify and highlight program requirements that grantees found challenging or confusing based on lessons learned from CARES Act implementation;
- Requiring quarterly and annual reports on spending of funds. Institutions that did not comply with the reporting requirements were placed on route payment, limiting their access to supplemental funds without prior approval; and
- Creating the Emergency Response Unit and adding staff for additional program management, technical assistance, and oversight.

In recognition of the significant risk to the HEERF program, particularly given that many institutions were new to Department grant programs, OPE implemented a number of effective steps to mitigate risk and provide additional assistance and oversight.

OPE worked to inform the compliance supplement followed by auditors, which was released in December 2020. Then, in August 2021 all Education Stabilization Funds, including HEERF, were designated as "higher risk," which expanded oversight of these funds across institution types. Consistent with this strategy, leveraging the resources of other entities that have a role in grantee oversight, including those conducting single audits, was included in OIG recommendations to the Department for instances of limited staffing in the *FY 2022*

*Management Challenges Facing the U.S. Department of Education* report (December 2021). In accordance, OPE believes that relying on audits to some degree, help in making the greatest use of limited resources to provide greater oversight of funds.

Given that proprietary institutions were universally new to receiving Department grants and had experienced some challenges during CARES implementation – including being overrepresented among institutions that faced school closures and issues with improper payments and quarterly reporting – additional risk-mitigation strategies were implemented early in 2021. OPE worked with the OIG non-federal audit team to establish audit coverage for proprietary schools by creating criteria under which proprietary institutions were required to submit an audit of their HEERF grant. The HEERF Audit Guide for Proprietary Institutions was released in March 2021 requiring impacted Proprietary Institutions to submit an audit by late July 2021 and OPE participated in webinars to inform institutions of the requirements in April 2021.

In August 2021, once a significant number of HEERF audit findings became available, OPE and OGC began meeting regularly with the Risk Management Services Division (RMSD), the office responsible for managing the resolution of HEERF audits. A HEERF Audit Working Group was also established and meets regularly to discuss common and unique audit findings and advises on the resolution. The audit findings are also used to inform continuous improvements in policies and procedures and to target technical assistance or additional monitoring, as necessary. Additionally, OPE also worked to address a significant accountability gap with respect to oversight by implementing the Required Proprietary Institution Certification form. This form was created to facilitate and target outreach to the institution given the Department's assessment that HEERF grant awards to proprietary institutions constituted unique and heightened risks. . Although not mentioned in the OIG's report, in recognition of financial risk and institutional history of performance, OPE put additional steps in place for institutions on Heightened Cash Monitoring 2 (HCM2) after the enactment of ARP. Heightened Cash Monitoring is a readily available risk measure, established and used by the ED's Office of Federal Student Aid to provide additional oversight of funds for financial or other compliance issues. Under HCM2, institutions must make disbursements to students from its own institutional funds and submit a request for reimbursement to the Department instead of receiving funds directly. Under the protocols established by OPE, institutions on HCM2 were placed on "route pay," which requires institutions to submit a request and describe how the funds will be used before it can access any funds. This measure helped OPE to ensure that for higher-risk institutions, funds were reviewed, monitored, and used only for allowable purposes. OPE also established policies and procedures for addressing closing institutions, including placing these institutions on route pay and, in some cases, requiring the submission of a close-out audit, to ensure proper use and oversight of funds.

Since obligating funds, OPE has continued to improve the tools it has available to monitor the use of funds and improved its oversight and monitoring. For example, OPE worked with the Office of the Chief Data Officer (OCDO) to improve the second HEERF Annual Report and meets regularly on implementation of that report. The new data captured will allow OPE to show achievement of program goals and objectives, share lessons learned, improve program outcomes, and foster adoption of promising practices, per Federal regulations. It will also better enable OPE to conduct monitoring and oversight. For example, OPE will be able to ensure institutions spent funds on required uses, such as using a portion of funds for COVID-19 mitigation.

Thank you for the opportunity to respond to the draft report. OPE is proud of the work we have done in service to students and institutions at a time of extraordinary need for our nation, during the coronavirus pandemic. OPE enthusiastically responded to the call to service, obligating more than 30,000 awards in a timely manner, while simultaneously being good stewards of the \$76 billion in emergency relief funding and providing ongoing technical assistance to college and university leaders and representatives. OPE will continue to work with institutions of higher education, especially those that are considered high-risk, and improve our processes and procedures, as warranted.

Sincerely,

Michelle A.  
Cooper

 Digitally signed by Michelle A. Cooper  
Date: 2022.05.25 11:11:30 -0400

Michelle Asha Cooper,  
Acting Assistant Secretary  
Office of Postsecondary Education

cc: Phil Rosenfelt ([phil.rosenfelt@ed.gov](mailto:phil.rosenfelt@ed.gov)), Karen Epps ([karen.epps@ed.gov](mailto:karen.epps@ed.gov)), Erin Dollard ([erin.dollard@ed.gov](mailto:erin.dollard@ed.gov))