

## THE PPC

## GOVERNMENTAL UPDATE

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## Department of Education Releases New HEERF Guidance



The Department of Education recently released additional guidance for the Higher Education Emergency Relief Fund (HEERF) III, which provides an additional \$39.6 billion as a third round of funding for the HEERF program, as authorized by the American Rescue Plan Act (ARPA) that was signed into law in March. They have also released allocation tables by institution with apportionments for student aid and institutional funds. The updated guidance (in the form of an FAQ document) contains key differences from the previous rounds of funding for HEERF I and II, as explained below.

### Required Use of HEERF III Funds

The new FAQ includes two new required uses of HEERF III institutional portion funds. If the institutional portion is not used entirely for emergency direct aid to students, this portion of funds must be used to:

- a) Implement evidence-based practices to monitor and suppress COVID-19; and
- b) Conduct direct outreach to applicants who are eligible due to specific

circumstances that are a result of COVID-19 about the availability of financial aid.

The FAQ provides specific examples for ways institutions can meet these required uses of the institutional portion of their funds allocated, such as testing, prevention, reducing barriers to vaccination, and supporting students. It also includes examples of ways institutions could conduct direct outreach. The FAQ does not prescribe any specific thresholds for these required uses of funding.

In addition, the FAQ contains a new blanket prohibition on using funds for construction and purchase of real property. This general prohibition does not apply to “minor remodeling” if the purpose is related to COVID-19. For example, costs of modifying existing spaces to encourage social distancing would be allowable. The FAQ contains other specific examples of minor remodeling scenarios that would meet the allowability requirements.

### Documentation Requirements

The FAQ contains documentation provisions surrounding the two new required

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uses of funds. Institutions expending HEERF III funding should document—

- the strategies used to monitor and suppress COVID-19,
- the evidence to support those strategies,
- how those strategies were in accordance with public health guidelines,
- the manner and extent of the direct outreach the institution conducted to potential financial aid applicants, and
- how the amounts spent were reasonable and necessary given the unique needs and circumstances of the institution.

## Definition of Student

The FAQ redefines the term “student” for the purposes of eligibility for emergency financial aid grants. The term is now defined as “any individual who is or was enrolled at an eligible institution on or after March 13, 2020, the date of declaration of the national emergency due to the coronavirus.” This change in definition allows students who are not eligible for Title IV student financial aid (such as undocumented and international students) to receive emergency financial aid grants from HEERF III. This change loosens the eligibility requirements for recipients, but the FAQ clarifies that students with exceptional need must be prioritized when awarding the emergency aid. Institutions must maintain documentation on how they prioritize students with exceptional need.

## Period of Performance

Institutions must expend their HEERF (I, II, and III) funding within one year from the date their HEERF III award is made. A no-cost extension of up to an additional twelve months is available if unable to spend funding within the initial one-year period.

### Practical Consideration:

- The Department of Education FAQ document on HEERF III is available at [www2.ed.gov/about/offices/list/ope/arpafaq.pdf?utm\\_content=&utm\\_medium=email&utm\\_name=&utm\\_source=govdelivery&utm\\_term=](http://www2.ed.gov/about/offices/list/ope/arpafaq.pdf?utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term=)
- The HEERF III allocation tables for public and nonprofit institutions are available at [www2.ed.gov/about/offices/list/ope/arpa1allocationtable.pdf](http://www2.ed.gov/about/offices/list/ope/arpa1allocationtable.pdf).
- The Department of Education also maintains a HEERF III ARPA website, containing these documents and other relevant information, at [www2.ed.gov/about/offices/list/ope/arp.html](http://www2.ed.gov/about/offices/list/ope/arp.html).

## Yellow Book Updates

The Government Accountability Office (GAO) has recently issued limited technical updates to the 2018 revision of *Government Auditing Standards* (the Yellow Book), as well as a related discussion paper, *GAGAS Performance Audits: Discussion of Concepts to Consider When Auditing Public Functions and Services*.

### Effective Date

The Yellow Book updates became effective upon issuance, in April 2021.

### Technical Changes

The changes are considered minor, and center around the following areas:

- Introduction of the term *equitable* to paragraphs 1.02, 1.03, and 1.23 in the following contexts:
  - Management and officials entrusted with public resources are responsible for carrying out public functions and providing service to the public effectively, efficiently, economically, ethically, and *equitably*;
  - Legislators, oversight bodies, those charged with governance, and the public need to know whether government services are provided effectively, efficiently, economically, ethically, and *equitably*; and
  - Examples of program effectiveness and results include determining whether a program provides *equitable* access to or distribution of public resources within the context of statutory parameters.
- Paragraph 3.83, which discusses the auditor’s evaluation of nonaudit services and their effect on independence, now states that auditors should “determine whether the skill, knowledge, *or* experience of the individual responsible for overseeing the nonaudit service was sufficient...” The previous version used the term *and* rather than *or*.
- Chapters 8 and 9 (specifically paragraphs 8.42, 8.49, 9.30, and 9.32) were revised to add clarifying language as it relates to the discussion of internal controls in a performance audit.

### Discussion Paper

The discussion paper issued by the GAO was provided to assist auditors when developing objectives for performance audits. It also provides illustrative examples of how auditors can assess the effectiveness, efficiency, economy, ethics, and equity in performance audits.

**Practical Consideration:**

Auditors are encouraged to review the technical updates and the discussion paper in their entirety.

- The updated Yellow Book includes a table on pages i and ii that details the changes made by the technical updates. The updated Yellow Book can be accessed at [www.gao.gov/assets/gao-21-368g.pdf](http://www.gao.gov/assets/gao-21-368g.pdf).
- The GAO discussion paper, *GAGAS Performance Audits: Discussion of Concepts to Consider When Auditing Public Functions and Services*, can be accessed at [www.gao.gov/assets/2021-04/Performance-Audit-Discussion.pdf](http://www.gao.gov/assets/2021-04/Performance-Audit-Discussion.pdf).

## Compensated Absences ED

In February 2021, the GASB released an exposure draft entitled *Compensated Absences*. Its objective is to align the recognition and measurement guidance for all types of compensated absences under a unified model and refine the disclosure requirements. The proposed Standard would supersede GASBS No. 16, *Accounting for Compensated Absences*.

**Recognition and Measurement**

The proposed Statement would require a liability for compensated absences (regardless of type—sick, vacation, or paid time off) to be recognized if:

- The absence accumulates (meaning one that can be carried forward from the reporting period in which it is earned to a future reporting period when it will be paid (including being paid for use) or settled);
- The absence is attributable to services rendered (meaning one for which an employee already has performed the services rendered to earn the absence); and
- The absence is *more likely than not* to be either paid (including being paid for use) or settled through other means (such as transfer to a postemployment benefit plan) based on relevant factors, such as employment policies related to compensated absences, historical payment information, etc.

The proposed Statement would also establish guidance for measuring a liability, which generally would require accumulated leave to be multiplied by an employee's

pay rate as of the financial reporting date. Certain salary-related payments, such as payroll taxes, that are both *directly* and *incrementally* associated with payments for compensated absences would also be included in the measurement of a liability. Accumulated leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits would not be included in the compensated absences liability.

Additionally, the proposed Statement would provide an exception to the existing requirement to disclose the gross increases and decreases in a compensated absences liability, allowing governments to disclose only the net change in the liability. Also, governments would not be required to disclose which governmental funds typically have been used to liquidate the compensated absences liability.

**Proposed Effective Date**

As proposed, the Statement would be effective for reporting periods beginning after December 15, 2022, with earlier application encouraged.

**Practical Consideration:**

The ED is available on Checkpoint at [checkpoint.riag.com](http://checkpoint.riag.com) for users that subscribe to GASB content, and at [www.gasb.org](http://www.gasb.org).

## GAO Issues COVID-19 Recommendations

The GAO issued two COVID-19 reports containing recommendations to the OMB that may be of interest.

**COVID-19 Awards Audit Guidance**

The first article, *COVID-19: Sustained Federal Action Is Crucial as Pandemic Enters Its Second Year*, addresses the lack of timely and relevant guidance from the OMB surrounding the audit requirements of new and existing COVID-19 federal awards.

GAO's recommendation to the OMB states that they should work with federal agencies and the audit community to "incorporate appropriate measures in the

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OMB process for preparing single audit guidance, including the annual Single Audit Compliance Supplement, to better ensure that such guidance is issued in a timely manner and is responsive to users' input and needs." Although the report, and this recommendation, were issued in light of the COVID-19 pandemic, the AICPA Government Audit Quality Center has been raising concerns surrounding the lack of timeliness, transparency, quality, and content of the Compliance Supplement for several years.

The report also noted that although single audit extensions provided in response to COVID-19 were helpful, the delay in issuing relevant guidance "could impact award recipients' development of corrective action plans, management decisions, and resolution of findings identified during the audits."

### COVID-19 Lessons Learned

As its title suggests, the second article, *OMB Should Collect and Share Lessons Learned from Use of COVID-19-Related Grant Flexibilities*, recommends that OMB collect and share lessons learned from the flexibilities that they granted to grantees (as well as

auditors in the form of submission deadline extensions) in response to COVID-19. The report outlines 15 specific OMB-identified grant flexibilities related to COVID-19, such as no-cost extensions, procurement exemptions, and single audit extensions. The report states that "the collecting and sharing of lessons learned from previous programs or projects provides organizations with a powerful method for sharing ideas for improving work processes." The recommendation aims to improve flexibilities, reduce administrative burden, and maintain accountability for federal funds.

#### Practical Consideration:

The reports can be accessed at the following links:

- *COVID-19: Sustained Federal Action Is Crucial as Pandemic Enters Its Second Year:* [www.gao.gov/assets/gao-21-387.pdf](http://www.gao.gov/assets/gao-21-387.pdf)
- *OMB Should Collect and Share Lessons Learned from Use of COVID-19-Related Grant Flexibilities:* [www.gao.gov/assets/gao-21-318.pdf](http://www.gao.gov/assets/gao-21-318.pdf)

