

# Changes in the 2021 Compliance Supplement That Impact the Audits of Institutions of Higher Education

By Lisa R. Saul, Partner

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The [2021 Compliance Supplement](#) provides key updates from the U.S. Department of Education (ED). You can read a high-level summary of the changes for higher education [here](#). In this article, we'll look at changes to programs that specifically impact the audits of institutions of higher education.

While these aren't new regulations, they are new audit requirements that must be tested. Note that there will also be updates to Assistance Listing (formerly known as CFDA) 84.425U and 84.425X in a future addendum, but these updates will not affect institutions of higher education.

## **New Emphasis: HEERF is a Higher-Risk Program**

The 2021 Supplement identified ED's Education Stabilization Fund–HEERF program as higher risk. This means funding from the Higher Education Emergency Relief Funds (HEERF) will likely be tested as a major program unless it meets specific criteria to be classified as a Type B program and therefore is not required to be assessed. The expectation is that HEERF will most likely be tested as a major program for most institutions.

## **New Audit Requirements: SFA Cluster of Programs**

The 2021 Supplement contains two points related to the Student Financial Assistance (SFA) cluster of programs: eligible programs and distance education. Eligible programs are covered in two sections of the supplement: Allowable Activities and Special Tests and Provisions. Distance education is covered in the Special Tests and Provisions section as well.

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## **Eligible Programs Under Title IV (page 5-3-11 of the Supplement)**

The updated supplement emphasizes not awarding Title IV aid to students enrolled in ineligible programs as this can cause significant financial implications for your institution. Actions that could cause this include adding new:

- Program levels
- Non-degree or certificate programs
- Locations

These changes always require approval from the accreditor, possibly the state (depending on where your institution is located), and ED before students are eligible to receive Title IV aid. A new degree program requires accreditor approval before it is an eligible program.

Awarding aid to any students enrolled in these programs or locations without the proper accreditor and ED approvals would put your institution at risk. Institutions on heightened cash management or a provisional program participation agreement have an additional requirement to obtain ED approval before taking any of these actions.

Following these key procedures can help ensure your institution meets the requirements:

- Make sure your student financial aid office knows what programs are being added as they are being added, and which students are enrolled in those programs.
- Designate an individual to follow up with the accreditor, state, and ED if your institution needs

specific approval. Keep written responses as documentation, including any responses stating why accreditor approval was not required.

- Ensure the student financial aid office does not allow disbursements until approvals for new programs have been received or listed as not needing a response.

### **Withdrawal (Official and Unofficial) of Distance Education Students (page 5-3-47)**

The 2021 Supplement also emphasizes that institutions should obtain proof of academic activity for online students who officially or unofficially withdraw. Unofficial withdrawals refer to students with no passing grades during a term.

If your institution does not take attendance, this creates an additional requirement to have proof of academic activity, specifically the last day of academic activity for an R2T4 calculation. Proof of academic activity is not the number and dates of logins to an online platform but rather evidence of interaction with the professor or grading of assignments or tests and quizzes. This will likely affect many institutions since most do not take attendance.

Now let's look at some other areas that require additional testing this year.

### **Withdrawal (Official and Unofficial) if Withdraw is Due to COVID-19 (page 5-3-47)**

For students who withdrew during a term due to COVID-19, your institution must determine whether:

- The student met the requirements under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) for relief; and
- Your institution accurately reported the required CARES Act information to ED.

This is necessary for the return of Title IV funds under the CARES Act.

### **Title IV Escheating Balances (page 5-3-34)**

If you have instances where disbursements created a credit balance in a student account and the student or parent did not provide authorization for your institution to retain funds, you must return the amount to the student promptly. You also must have procedures to ensure that the check doesn't escheat to the state or revert to your institution or any other third party.

This includes both refunded Title IV credit balances and federal work-study wages paid by check.

### **Institutional Eligibility Segregation of Duties (page 5-3-55)**

Within institutional eligibility and administrative functions, there must be proper segregation of duties between personnel who award the Title IV funds and those who disburse the funds to student accounts. No single person or office should exercise both functions for any student receiving Title IV funds.

Please contact Lisa R. Saul, Partner and Uniform Guidance Director, at [lsaul@capincrouse.com](mailto:lsaul@capincrouse.com) if you have questions about these new compliance regulations or would like to discuss a consultation. We can help ensure you are aware of and ready for the new Uniform Guidance audit implications, which are expected to be applicable for fiscal year-ends of June 30, 2021 and after.

### **About the Author**

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Lisa joined CapinCrouse in 1999. She has over 20 years of experience in performing and supervising Uniform Guidance audits of Department of Education student financial aid programs and a variety of federal funding, as well as program audits and agreed-upon procedure engagements of various state-funded programs. Lisa oversees the firm's more than 80 Uniform Guidance audits.

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