



U.S. Department of Education
Office of Inspector General

University of Cincinnati's Use of Higher Education Emergency Relief Fund Student Aid and Institutional Grants

January 17, 2023
ED-OIG/A20US0045

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.

In accordance with Freedom of Information Act (Title 5, United States Code, Section 552), reports that the Office of Inspector General issues are available to members of the press and general public to the extent information they contain is not subject to exemptions in the Act.



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

Audit Services

January 17, 2023

Dr. Neville Pinto, President
University of Cincinnati
2600 Clifton Avenue
Cincinnati, OH 45221

Dear Dr. Pinto:

Enclosed is our final audit report, "University of Cincinnati's Use of Higher Education Emergency Relief Fund Student Aid and Institutional Grants," Control Number ED-OIG/A20US0045. This report incorporates the comments you provided in response to the draft report. If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Department of Education official, who will consider them before taking final Departmental action on this audit:

Dr. Nasser Paydar
Assistant Secretary
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, D.C. 20202

The U.S. Department of Education's policy is to expedite audit resolution by timely acting on findings and recommendations. Therefore, if you have additional comments, we would appreciate receiving them within 30 days.

Sincerely,

/s/

Daniel P. Schultz
Director of Pandemic Relief Audits

Enclosure

Table of Contents

Results in Brief	1
Introduction	5
Finding 1. University of Cincinnati Generally Used Student Aid Grant Funds for Allowable and Intended Purposes but Needs to Strengthen its Review and Documentation Processes	11
Finding 2. University of Cincinnati Generally Used Institutional Grant Funds for Allowable and Intended Purposes but Needs to Strengthen Certain Processes to Ensure Compliance with Grant Requirements	23
Finding 3. University of Cincinnati Did Not Fully Comply with Federal Cash Management Requirements.....	31
Finding 4. University of Cincinnati’s HEERF Quarterly Reporting Was Not Always Accurate and Publicly Available	37
Appendix A. Scope and Methodology.....	41
Appendix B. Acronyms and Abbreviations.....	53
University of Cincinnati Comments	54

Results in Brief

What We Did

Our objective was to determine whether the University of Cincinnati (University) used the Student Aid (Assistance Listing Number (ALN) 84.425E) and Institutional (ALN 84.425F) portions of its Higher Education Emergency Relief Fund (HEERF) funds for allowable and intended purposes. We also reviewed the University's cash management practices and the timeliness and quality of the data the University reported on its use of HEERF funds.¹ Our audit covered the University's HEERF expenditures, cash flows, and reporting under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and American Rescue Plan (ARP), from March 13, 2020, through September 30, 2021.

To achieve our audit objective, we interviewed University officials who were responsible for drawing down, managing, awarding, spending, and reporting on the University of Cincinnati's HEERF grant funds. We also reviewed the University's policies, procedures, and other supporting documentation (for example, bank records, invoices, student records) for managing, authorizing, and accounting for HEERF-related transactions and expenditures. Additionally, we reviewed a sample of Student Aid grant distributions and Institutional grant expenditures to determine whether the University used the Student Aid and Institutional portions of its HEERF funds for allowable and intended purposes. Further, we compared the timing and amounts of drawdowns of HEERF funds with the University's accounting records (expenditure information) to determine whether the University minimized the time between drawdown and disbursement of the funds. Lastly, we reviewed the reports that the University posted on its website covering its use of HEERF funds for the quarterly periods that ended September 30, 2020, through September 30, 2021; and its first annual performance report covering HEERF grant activities under the CARES Act from March 13, 2020, through December 31, 2020.

What We Found

The University spent \$109.9 million (83 percent) of its total HEERF allocation of \$132.8 million as of September 30, 2021. The University generally used the Student Aid (\$42.1 million) and Institutional (\$67.8 million) portions of its HEERF grant funds for allowable and intended purposes but needs to strengthen its review and documentation processes for its use of Student Aid grant funds and certain other processes to ensure

¹ In this document, "HEERF" generally refers to both the Student Aid and Institutional grant funds. We use "Student Aid" and "Institutional" when the information is specific to the respective grant.

compliance for its use of Institutional grant funds. We also found that the University did not fully comply with cash management and reporting requirements.

The University needs to strengthen these processes because it

- did not have an effective review process to detect or prevent payment errors for a small number of students who applied for emergency financial aid grants under the CARES Act;
- did not fully document its Student Aid award determinations, eligibility criteria, and related management decisions;
- overstated the amount of lost revenue charged to its Institutional grant by \$797,965 (1 percent of total Institutional grant expenditures) due to improper revenue recognition and inclusion of a duplicate charge, and did not fully comply with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards for \$1,916,041 (3 percent) of its noncompetitive procurements;
- did not minimize the time between drawing down and disbursing CARES Act Student Aid grant funds, and remitted imputed interest based on \$1,450 in estimated earnings rather than remitting the \$36,889 in earnings based on the pool of accounts average rate of return allocable to CARES Act Student Aid grant funds' balances;
- reported \$4.1 million of scholarships awarded to students in the wrong expenditure category and did not post all required HEERF quarterly reports on its public website.

We also determined that the information in the University's first HEERF annual performance report was generally accurate, complete, and timely. After we discussed our audit results with University officials, they informed us that they repurposed the \$797,965 we questioned for other expenditures that were charged to the Institutional grant in June 2022. We did not review these expenditures. If the repurposed expenditures are allowable and supported, this would be an acceptable remedy to our finding. The University also revised its quarterly HEERF Institutional expenditure report to properly identify the \$4.1 million as scholarships rather than emergency financial aid grants to students and posted missing reports to its website.

What We Recommend

We provide detailed recommendations addressed to the Assistant Secretary for the Office of Postsecondary Education in each finding section in this report.

In summary, we recommend that the Assistant Secretary for the Office of Postsecondary Education—

- Require the University to develop and implement a review process to prevent or detect payment errors when awarding emergency financial aid grants to students, and to develop and implement policies and procedures to ensure that its award determinations, eligibility criteria, and management decisions related to eligibility for its emergency financial aid grants to students are adequately documented and supported at the time award decisions are made.
- Require the University to carefully document how its CRRSAA and ARP student aid eligibility criteria prioritized and continue to prioritize students with exceptional need.
- Review the allowability of the repurposed Institutional expenditures and the reasonableness of the noncompetitive procurements, and if unallowable or inappropriate, require the University to either return to the Department or reallocate for allowable expenditures the unsupported costs charged to the grant of \$797,965 in lost revenue and \$1,916,041 in noncompetitive procurements.
- Require the University to develop and implement policies and procedures to ensure that (1) calculations for charging lost revenue to its HEERF Institutional grant are reviewed for accuracy and consistency with its financial reporting policies and procedures, (2) procurements charged to the grant comply with Federal and University requirements, and (3) expenditures in its quarterly HEERF Institutional expenditure reports are accurate and reported properly.
- Require the University to incorporate in its policies and procedures certain Federal cash management requirements, and to remit \$35,439 in earnings (\$36,889 minus the \$1,450 in imputed interest) on the advance of the CARES Act Student Aid grant funds.

University of Cincinnati Comments and Our Response

We provided a draft of this report to the University for comment. We summarize the University's comments at the end of each finding and provide the full text of the comments at the end of the report (see "[University of Cincinnati Comments](#)").

University Comments

In its response to our draft report, the University did not state whether it agreed or disagreed with the findings, but agreed with all recommendations, except for Recommendation 3.2. The University described its specific plans for developing and implementing written policies and procedures consistent with applicable program

requirements and other corrective actions as specified by our recommendations. The University did not agree with Recommendation 3.2 requiring it to remit \$35,439 in earnings on the advance of CARES Act Student Aid grant funds. In its response, the University stated that the funds were invested in a secure money market fund, which was not earning the long-term rate that the \$35,439 calculation is based on.

Office of Inspector General Response

The University's proposed corrective actions, if effectively implemented, are generally responsive to our recommendations, with the exception of Recommendation 3.2. As summarized at the end of the findings, for a few of our recommendations, the University either did not specify any corrective actions or proposed corrective actions that were only partially responsive to the recommendations. It will be important for the University to work with the Department to ensure that all recommendations are appropriately and sufficiently resolved and that corrective actions are fully implemented.

We disagree with the University's statement that the funds were invested in a secure money market fund in its response to Recommendation 3.2. We acknowledge that the University's Temporary Investment Pool (TIP) the funds were deposited in included a money market fund among many other investment options. However, the University did not provide sufficient evidence to demonstrate that the funds were deposited into this specific money market fund within the TIP. Instead, the funds were commingled with other Federal and non-Federal funds held in the TIP. Therefore, we did not change our recommendation.

We did not make any changes to the findings or recommendations based on the University's comments.

Introduction

On March 13, 2020, the President declared a national emergency due to the coronavirus. In response, Congress passed three coronavirus relief acts within a 1-year period that included Higher Education Emergency Relief Funds.

- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted on March 27, 2020 (Public Law 116-136), provided about \$14 billion for the Higher Education Emergency Relief Fund (HEERF) program to mitigate the impact of the coronavirus on students and schools.
- The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) was signed into law on December 27, 2020 (Public Law 116-260), authorizing an additional \$22.7 billion for the HEERF program.
- The American Rescue Plan (ARP) was signed into law on March 11, 2021 (Public Law 117-2), authorizing \$39.6 billion in additional HEERF funding.

These HEERF funds were to be used to defray expenses associated with the coronavirus, carry out student support activities, and provide emergency financial aid grants to students.

Collectively, more than \$76 billion was provided for the HEERF program through the CARES Act, CRRSAA, and ARP. The U.S. Department of Education's (Department) Office of Postsecondary Education is responsible for administering and overseeing the HEERF grants, which were awarded to more than 4,500 schools.

HEERF Program

The HEERF program provides direct grants to schools to prevent, prepare for, and respond to the coronavirus.² The Department divided the primary HEERF funding stream between two subprograms—the Student Aid portion under Assistance Listing Number (ALN) 84.425E, and the Institutional portion under ALN 84.425F.³ Schools had to use the

² The CARES Act, CRRSAA, and ARP each authorized about 90 percent of the HEERF funds for direct grants to schools, based on a statutory formula. The remaining funds were for other formula grants to schools to address needs directly related to coronavirus and for schools that the Department determined had the greatest unmet needs related to the coronavirus.

³ The Department also awarded the University of Cincinnati a \$928,302 grant from another HEERF funding stream under the Strengthening Institutions Program (ALN 84.425M), which we did not review.

Student Aid portion only for emergency financial aid grants to students and could use some or all of the Institutional portion for emergency financial aid grants to students.

The Student Aid and Institutional portions of HEERF funding are subject to Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) in 2 Code of Federal Regulations (C.F.R.) part 200. The Uniform Guidance also addresses cash management requirements.

CARES Act

For the direct grants, the CARES Act required schools to distribute at least 50 percent of their HEERF funds 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 to students, or to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus.

In April 2020, the Department allocated the HEERF funds as two separate grants—50 percent of each school’s total authorization for emergency financial aid grants to students (Student Aid portion), and 50 percent for institutional costs (Institutional portion). In addition to submitting an application, the Department required schools to sign separate certification and agreement forms to access their Student Aid and Institutional grant funds. The Department also required schools to report publicly on their use of HEERF funds by posting the required information on the school’s primary website each quarter and to submit their first HEERF annual performance report (covering their use of CARES Act funding from March 13, 2020, through December 31, 2020) to the Department by February 8, 2021.

CRRSAA and ARP

CRRSAA and ARP provided supplemental funding for existing private nonprofit and public HEERF grantees.⁴ Under these acts, Congress expanded the allowable uses of grant funds under section 314(a)(1) of CRRSAA and section 2003(1) of ARP for unspent HEERF funds. Unlike the CARES Act, CRRSAA and ARP provide that students exclusively

⁴ CRRSAA created a separate program for proprietary schools, which continued under ARP, that only supports emergency financial aid grants to students. The Department generally distributed CRRSAA and ARP funding as supplements to existing CARES Act grant awards, which did not require the school to submit another application. Schools that did not receive HEERF funding under the CARES Act were subject to the application process to receive CRRSAA funding. Schools that did not receive HEERF funding under the CARES Act or CRRSAA were subject to the application process to receive ARP funding.

enrolled in distance education may receive emergency financial aid grants. Further, CRRSAA and ARP require schools to prioritize students with exceptional need when awarding emergency financial aid grants to students.

CRRSAA and ARP also expanded the allowable uses of Institutional grant funds to include defraying expenses associated with the coronavirus such as lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll. The two acts also allow schools to use Institutional grant funds to provide student support activities authorized by the Higher Education Act of 1965 (HEA) that address needs related to the coronavirus. Additionally, section 2003(5) of ARP provides that schools that do not use the Institutional portion of their ARP grant funds entirely for emergency financial aid grants to students must use a portion of these funds to implement evidence-based practices to monitor and suppress the coronavirus according to public health guidelines and conduct direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to the recent unemployment of a family member or independent student, or other circumstances, as described in section 479A of the HEA.

In January 2021, the Department allocated CRRSAA HEERF funds to schools by establishing the minimum amount of funding available for emergency financial aid grants to students (Student Aid portion) as the amounts provided by the CARES Act HEERF allocation and establishing the maximum amount schools could use for institutional costs (Institutional portion) as the remaining amount of the total award. In May 2021, the Department allocated ARP HEERF funds to schools in amounts such that at least half of a school's total award was to be used to make emergency financial aid grants to students (Student Aid portion) and the remainder could be used for institutional purposes (Institutional portion).

Under CRRSAA and ARP, schools were required to continue reporting publicly on their use of HEERF funds by posting the required information on the school's primary website each quarter. Additionally, the Department required schools to submit a second annual performance report by May 6, 2022, covering their use of HEERF funds under the CARES Act, CRRSAA, and ARP from January 1, 2021, through December 31, 2021. The Department will also require schools to submit a third annual performance report covering January 1, 2022, through December 31, 2022.

University of Cincinnati

The University of Cincinnati (University) is a public research university with its main campus located in Cincinnati and satellite campuses located in Blue Ash and Clermont, Ohio. The University's fiscal year 2022 operating budget was \$1.6 billion and, as of

June 30, 2021, its endowment was \$1.8 billion. The University has 14 colleges and offers more than 400 degree programs in a variety of disciplines, including medicine, nursing, business, engineering, and law. About 48,000 students are enrolled at the University, including students from all 50 States and more than 100 countries (international students). About 85 percent of students are enrolled in on-campus classes and the other 15 percent are enrolled in online classes (distance education).

Various Federal agencies have awarded education and research grants and contracts to the University in recent years. According to the University's single audit report covering fiscal year 2021, the University expended more than \$538 million in Federal funding from a variety of agencies including the Departments of Education, Defense, and Health and Human Services, National Science Foundation, and National Institutes of Health.

The Department awarded the University of Cincinnati a total of \$132.8 million in HEERF funds (including \$58.9 million for its Student Aid portion and \$73.9 million for its Institutional portion) under the CARES Act and as supplemental funds under CRRSAA and ARP, as shown in Table 1 on the next page. The Department allowed the University 1 year to spend its CARES Act HEERF funding and, after CRRSAA and ARP were enacted, extended the grant period by an additional 2 years. On April 4, 2022, the Department automatically extended the grant period for all HEERF funds to June 30, 2023.⁵ According to University officials, the University plans to spend all of its HEERF funding by the end of June 2023. The University expended \$109.9 million (83 percent) of its total HEERF funds as of September 30, 2021, which includes all of its CARES Act (\$23.5 million) and CRRSAA (\$39.3 million) HEERF funds and \$47.1 million of its ARP HEERF funds.

Table 1. University of Cincinnati's HEERF Funding

Funding Source	Award Date	Total Award	Student Aid Portion (ALN 84.425E)	Institutional Portion (ALN 84.425F)
CARES Act	April 2020 Student Aid May 2020 Institutional	\$23.52 million	\$11.76 million	\$11.76 million
CRRSAA	February 2021	\$39.29 million	\$11.76 million	\$27.53 million

⁵ Schools are allowed to request a one-time extension of up to 1 year to spend HEERF funding, which would extend the performance period for their HEERF grants through June 30, 2024.

Funding Source	Award Date	Total Award	Student Aid Portion (ALN 84.425E)	Institutional Portion (ALN 84.425F)
ARP	May 2021	\$70.00 million	\$35.42 million	\$34.58 million
Total	–	\$132.81 million	\$58.94 million	\$73.87 million

Source: Office of Inspector General (OIG) summary of the Department's allocation tables and the University of Cincinnati's Grant Award Notification documents.

Impact of Coronavirus

On March 13, 2020, the University of Cincinnati announced that most on-campus classes and operations would be curtailed or shut down for the remainder of the spring 2020 school term. According to University officials, the University's robust distance education capabilities enabled it to quickly transition on-campus classes to online instruction with the existing faculty and staff. Students living in University housing were asked to return home and by the end of March 2020, the University had closed its student housing and dining facilities.⁶ Essential campus operations, such as the library and administrative offices, remained open. However, faculty and staff were given the option of working remotely from home whenever possible to help mitigate the spread of the coronavirus.

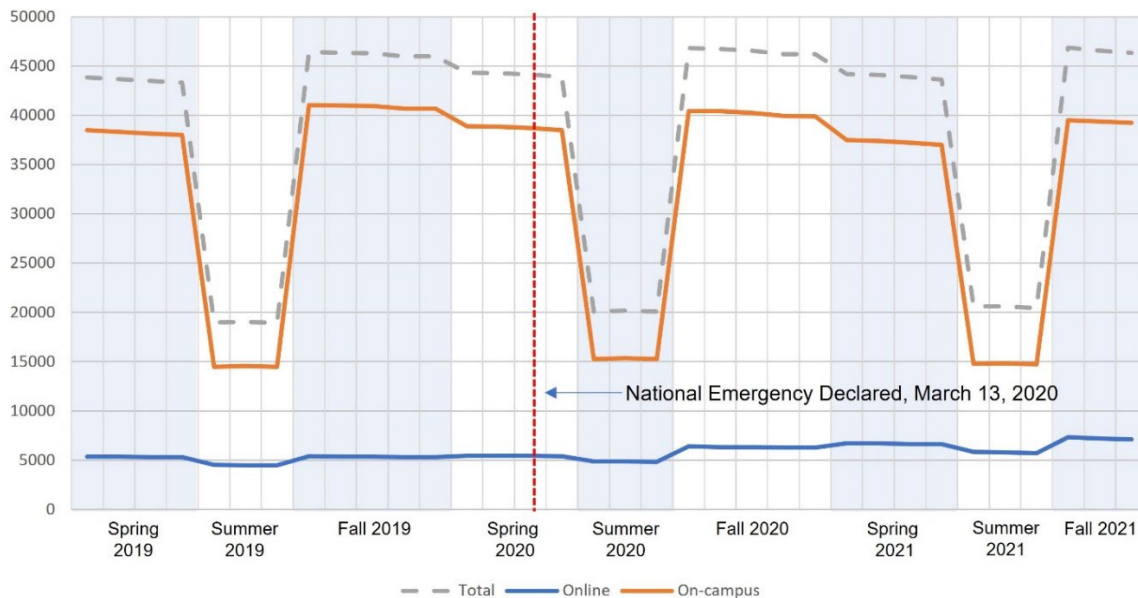
Most campus activities began to return to normal by the fall 2020 school term when the dorms reopened. However, many students did not return to on-campus housing until August 2021 for the start of the new academic year. While the University's revenue and enrollment had been growing for several years prior to the coronavirus, the University experienced declining revenue following the onset of the coronavirus—primarily due to limiting on-campus activities, which impacted housing, dining, and parking revenues, as discussed in Finding 2. However, at the time of our audit, University officials stated their belief that the negative impacts on revenue are subsiding and they did not expect longer-term impacts.

After the declaration of a national emergency, the University's online enrollment increased slightly while on-campus enrollment remained relatively stable with normal term-to-term fluctuations and within-term decreases through the fall 2021 term, as shown in Figure 1. According to University officials, enrollments are returning to the growth trend experienced before the coronavirus with more than 48,300 students

⁶ The University assisted students who could not return home to find alternative housing arrangements.

projected to enroll in the fall 2022 term, a 3-percent increase over the previous year's enrollment and the University's highest enrollment ever.⁷

Figure 1. University of Cincinnati Student Enrollment by School Term, Spring 2019 through Fall 2021



Source: University of Cincinnati's Office of the Bursar.

⁷ Enrollment increased almost 9 percent from 42,656 students in 2013 to 46,388 students in 2019.

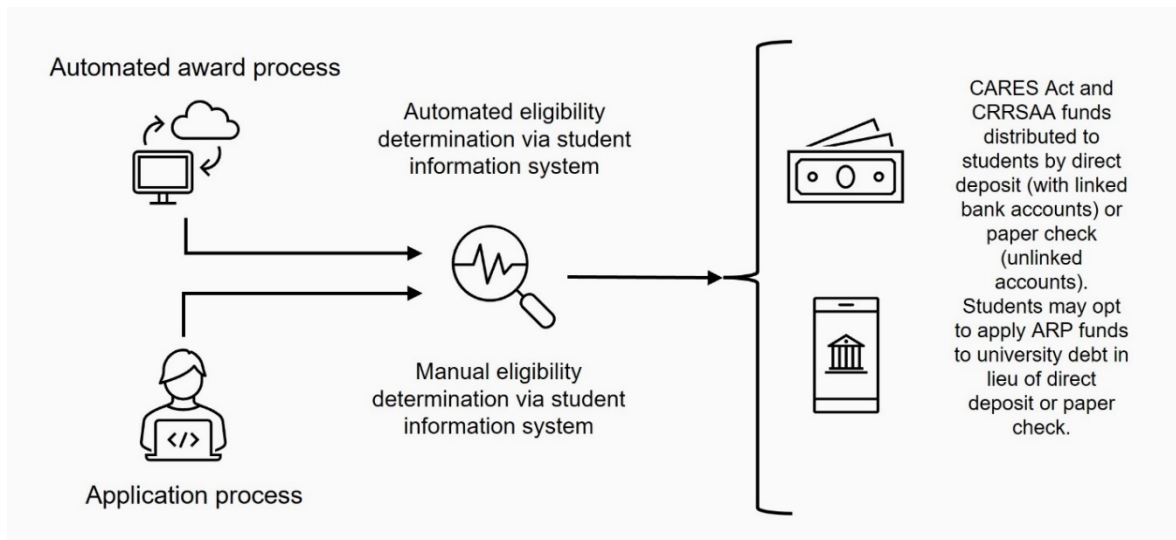
Finding 1. University of Cincinnati Generally Used Student Aid Grant Funds for Allowable and Intended Purposes but Needs to Strengthen its Review and Documentation Processes

As of September 30, 2021, the University of Cincinnati had awarded 56,079 emergency financial aid grants to 33,924 students, totaling \$42.1 million (71 percent) of the \$58.9 million in Student Aid grant funds awarded to the University under the CARES Act, CRRSAA, and ARP. We reviewed 155 CARES Act, CRRSAA, and ARP emergency financial aid awards and identified a small percentage of CARES Act awards that were made to ineligible students under Federal eligibility requirements existing at that time, but who would have been eligible for the awards under CRRSAA and ARP due to changes in the eligibility requirements. Because subsequent changes in Federal eligibility requirements largely mitigated the effects of these CARES Act payment errors, we concluded that the University generally used its Student Aid grant funds to award emergency financial aid grants to students in accordance with applicable Federal requirements. However, as discussed later in this finding, the University did not have an effective review process to detect or prevent CARES Act application payment errors or fully document its student aid award determinations, eligibility criteria, and related management decisions.

Award Process and Distribution Method

The University of Cincinnati used two processes—an automated process and an application process—to award 56,079 emergency financial aid grants to students (totaling \$42.1 million) under the CARES Act, CRRSAA, and ARP through September 30, 2021. The awards and distributions were processed through the University's student information system, as illustrated in Figure 2.

Figure 2. University of Cincinnati's Process for Awarding and Distributing Student Aid Grant Awards to Students



Source: OIG-created graphic.

Automated Process

The University automatically awarded 51,831 or 92 percent of 56,079 emergency financial aid grants to students (totaling \$38.7 million), in amounts ranging from \$250 to \$2,000 per term, which did not require students to take any action or complete an application.⁸ Under the automated process, the University developed computer queries of student enrollment and financial data contained in its student information system. These queries identified the students who met the eligibility criteria, such as Title IV of the Higher Education Act of 1965 (Title IV) eligibility, enrollment status, and Expected Family Contribution (EFC), in effect on the dates of the query.⁹

⁸ The University set CARES Act Student Aid grant awards amounts low to assist as many students as possible. The University increased award amounts for the CRRSAA and ARP in response to the increased Student Aid funding provided by these acts coupled with fewer students being eligible for awards under the requirement to prioritize students with exceptional need.

⁹ Title IV eligibility criteria include but are not limited to U.S. citizenship or eligible noncitizen; a valid Social Security Number; and a high school diploma or equivalent. Students who filed a Free Application for Federal Student Aid (FAFSA), which includes information for determining a student's Title IV eligibility, also received an EFC. This number is used to determine the type and amount of financial aid a student is eligible to receive. Under Title IV, Federal student aid programs can be either based on financial need (Pell grant, Federal Work Study, direct subsidized loans) or not based on financial need (direct unsubsidized loans, direct PLUS loans).

Application Process

The University awarded 4,248 or 8 percent of the 56,079 emergency financial aid grants to students (totaling \$3.4 million) through an application process. A portion of Student Aid grant funds were set aside to provide an opportunity for students to apply for emergency financial aid grants of up to \$1,000 per term when they either were financially impacted by the coronavirus but did not receive an emergency financial aid grant under the automated process or received an automated award but needed additional financial support. Students completed the application online through the student information system.

Award Distribution Method

The University distributed HEERF funds to students for the CARES Act and CRRSAA emergency financial aid grant awards by crediting the student's account in the student information system. These HEERF credits were cleared by either a direct deposit into the student's linked bank account or issuance of a paper check. For the ARP awards, the University gave students the option to use their emergency financial aid grant funds to reduce their outstanding University debt. Students had 21 days to exercise this option through the student information system and, if they did not exercise this option, would automatically receive cash payments as described above.

Eligibility Criteria and Award Amounts

The University of Cincinnati awarded emergency financial aid grants to students using eligibility criteria and award amounts that varied from term to term based on changing Federal requirements and University policy, as summarized in Table 2.

Table 2. University of Cincinnati's Student Eligibility Criteria and Award Amounts by Funding Source, Award Process, and School Term through September 30, 2021

Funding Source, Award Process, and School Term(s)	Title IV-Eligible	Distance Education Student	Additional University Criteria	Exceptional Need Criteria	Student Aid Award Amount
CARES Act Automated Spring 2020 Summer 2020	Required	Not eligible	Enrolled at least half time	Not applicable	\$250 plus \$250 if EFC is \$10,000 or less (\$500 maximum)
CARES Act Automated Fall 2020	Required	Not eligible	Enrolled at least half time and EFC = \$0	Not applicable	\$275 if enrolled full time; \$200 if enrolled part time

Funding Source, Award Process, and School Term(s)	Title IV-Eligible	Distance Education Student	Additional University Criteria	Exceptional Need Criteria	Student Aid Award Amount
CARES Act Application Spring 2020 Summer 2020	Required	Not eligible	Enrolled	Not applicable	Up to \$500 maximum
CRRSAA Automated Spring 2021	Required	Eligible	Enrolled at least half time	Federal Pell Grant ¹⁰ (Pell) recipient or not Pell recipient with EFC = \$12,000 or less	\$1,000 if Pell recipient; \$750 if not Pell recipient and EFC is \$12,000 or less
CRRSAA Automated Fall 2021	Required	Eligible	Enrolled at least half time	Title IV-eligible	\$2,000
CRRSAA Application Spring 2021 Summer 2021	Required	Eligible	Enrolled at least half time	Not applicable	Up to \$500 maximum
ARP Automated Spring 2021 Summer 2021	Not required	Eligible	Enrolled	Student has University debt	\$2,000 if debt is \$2,000–\$4,300; up to \$2,000 if debt is less than \$2,000
ARP Automated Fall 2021	Not required	Eligible	Enrolled at least half time	EFC is \$1,400 or less for undergraduate students; EFC is \$0 for graduate, medical, and law students	\$2,000

¹⁰ The Federal Pell Grant Program provides need-based grants to low-income undergraduate and certain postbaccalaureate students to promote access to postsecondary education.

Funding Source, Award Process, and School Term(s)	Title IV-Eligible	Distance Education Student	Additional University Criteria	Exceptional Need Criteria	Student Aid Award Amount
ARP Application Spring 2021 Summer 2021 Fall 2021	Not required	Eligible	Enrolled	Not applicable	Up to \$1,000 maximum each term

Source: University of Cincinnati's Enrollment Management Unit.

University of Cincinnati Generally Made Student Aid Awards to Eligible Students for the Correct Amount Under the CARES Act, CRRSAA, and ARP

We reviewed enrollment and financial records in the University's student system for 155 CARES Act, CRRSAA, and ARP automated and application awards and determined that, except for CARES Act application awards as discussed below, the awards were generally made to eligible students for the correct amounts. As of December 31, 2020, the University had distributed \$11,136,325 in CARES Act Student Aid grant funds through 30,273 automated awards to students. We reviewed 30 CARES Act automated awards (totaling \$9,525) and identified 3 payment errors (totaling \$1,075). Two awards of \$500 each (\$1,000 total) were made to a student who was ineligible due to being enrolled in a distance learning program and one award was an underpayment of \$75 made to a full-time student.¹¹ While University officials could not identify a specific cause for these payment errors, our review indicated they were isolated instances that were not the result of systemic processing issues. Based on our review results, we concluded that CARES Act automated awards were generally made to eligible students for the correct amount.

As of September 30, 2021, the University distributed 13,390 CRRSAA awards (totaling \$11,683,656) and another 11,160 ARP awards (totaling \$18,627,169) to students. Our review of 92 CRRSAA and ARP automated and application awards

¹¹ The University created a CARES Act payment file listing all 30,273 automated awards that contained specific data elements to support the automated awards were made in compliance with eligibility requirements in the awarding term. Because our review of the entire payment file identified only two awards with data elements indicating they were improperly made to a student enrolled in a distance learning program, we concluded that the payment errors were not caused by a systemic processing issue.

identified only one application payment error of \$500 that was made to a student who was ineligible because they were not enrolled in the term the award was made. Because our review did not identify any other payment errors or systemic processing issues, we concluded that CRRSAA and ARP awards were also generally made to eligible students for the correct amount.

The University's policy was to distribute emergency financial aid grants to these students as determined by eligibility data in the student information system and, for application awards, information that students provided on their applications requesting emergency financial aid grant funds. The application asked students to indicate if they had completed a Free Application for Federal Student Aid (FAFSA) form for the current and upcoming school terms; provide information related to establishing Title IV eligibility, such as citizenship and social security number; identify the specific financial impacts—such as housing, food, health care, and technology—in which the student experienced unusual expenses due to coronavirus; and request the amount of emergency funds needed. In addition to Title IV eligibility, the University considered students' enrollment status and EFC when determining students' eligibility and award amounts for the automated awards.

Department guidance stated that students who were enrolled exclusively in a distance learning (online) program on March 13, 2020, were not eligible for CARES Act emergency financial aid grants. Further, in June 2020, the Department directed schools to award emergency financial aid grants only to students who were or could be eligible to participate in Title IV programs (Title IV-eligible). However, the Department rescinded this requirement in May 2021, so students no longer had to be Title IV-eligible to receive an emergency financial aid grant.

Under CRRSAA and ARP, schools could award emergency financial aid grants to students exclusively enrolled in distance education (distance learners) and were required to prioritize students with exceptional need. Department guidance provided examples of conditions indicating exceptional need such as Pell Grant recipients or undergraduates with extraordinary financial circumstances. Further, the guidance stated that beyond Pell eligibility, other types of exceptional need could include students eligible for Federal or State need-based aid or faced significant unexpected expenses, such as loss of employment (either for themselves or their families), reduced income, or food or housing insecurity. The Department required schools to carefully document their Student Aid grant eligibility criteria.

University of Cincinnati Did Not Have an Effective Review Process for the CARES Act Application Awards

The University's review process for CARES Act application awards was not effective at preventing or detecting certain types of payment errors. Our review of 33 (totaling \$15,831) of the 1,256 CARES Act application awards (totaling \$627,331) identified payment errors for 23 awards (totaling \$11,250), of which 20 awards (\$10,000) did not meet Federal requirements regarding student eligibility in effect at the time of the award, and 3 awards (\$1,250) did not meet the University's policy for award amounts.¹² Of the 20 awards made to ineligible students based on Federal eligibility requirements, 10 awards went to students who were not Title IV-eligible, 6 awards went to distance learners, and 4 awards went to students who were not enrolled in the awarding school term (summer 2020).¹³ The remaining three awards went to students who met Federal eligibility requirements but received multiple awards that exceeded the University's policy limiting the application award to a cumulative maximum of \$500. It is important to note that some Federal eligibility requirements changed under CRRSAA and ARP that, unlike the requirements under the CARES Act, allowed awards to distance learning students and non-Title IV eligible students.¹⁴

Uniform Guidance at 2 C.F.R. section 200.303 requires schools to establish and maintain effective internal control that provides reasonable assurance that Federal awards are managed in compliance with Federal statutes, regulations, and grant terms and conditions. Written policies and procedures facilitate management review and support quality assurance by clearly defining the roles and responsibilities to maintain compliance with program requirements and requiring adequate documentation of grant administration activities.

University officials stated that staff reviewed student applications to ensure they were complete and indicated a need for financial assistance and reviewed the student

¹² The 1,256 CARES Act application awards comprised 4 percent of the 31,529 awards (both application and automated) distributed under the CARES Act and 2 percent of the 56,079 awards distributed under all 3 laws.

¹³ The four students who were not enrolled during the summer 2020 school term received CARES Act automated awards during the spring 2020 term when they were enrolled at the University.

¹⁴ Under CRRSAA and ARP, schools could provide emergency financial aid grants to students who were exclusively enrolled in distance education (distance learners). Furthermore, on May 14, 2021, the Department clarified in 86 FR 26608 that student eligibility was not limited to students who were or could be Title IV-eligible.

information system to ensure the student met Federal and University criteria to receive an emergency financial aid grant under the CARES Act.¹⁵ However, we could not verify the review activities due to a lack of documentation, as discussed later in this finding. The officials also stated that the University had not developed written policies and procedures detailing how such reviews should be conducted or the results documented. Further, the officials said they did not design or implement controls, such as management reviews, to prevent or detect payment errors after award decisions were made. Awarding emergency financial aid grants to ineligible students or in amounts that exceed University policy reduces the amount of Student Aid funding available for other students seeking emergency assistance.

University of Cincinnati Did Not Fully Document Certain Student Aid Award Determinations, Eligibility Criteria, and Related Management Decisions

The University did not provide complete and accurate student eligibility and financial data to support 3,297 (totaling \$3.4 million), or 6 percent, of its award determinations under the CARES Act, CRRSAA, and ARP. In addition, we found that the University lacked complete documentation to support its Student Aid awards eligibility criteria and management decisions related to changes in student eligibility. As part of our audit, we requested the University to provide documentation and explanations for its award determinations, eligibility criteria, and management decisions related to compliance with applicable Federal requirements and University policies.

To support the University's award determinations, the University created electronic spreadsheets several months after the awards were distributed that listed the students who received emergency financial aid grants along with student enrollment and financial information extracted from the University's student information system. These spreadsheets were intended to support that the awards were made to eligible students for the correct amount. However, we identified 3,297 awards on the spreadsheets that had missing or inaccurate student information (data quality issues) that made compliance with eligibility criteria unclear. For example, we identified data quality issues for most of the 1,256 awards listed on the spreadsheet documenting the application awards made under the CARES Act, including issues related to students' enrollment status (563 awards), enrollment in distance education programs (419 awards), and

¹⁵ University officials also stated that the staff assigned to review students' applications for emergency financial aid grants under the CARES Act was not assigned to review applications under CRRSAA and ARP.

Title IV eligibility (268 awards). While University officials attempted to correct the data quality issues we identified on the spreadsheets, their efforts were not successful.¹⁶

University officials stated that they used the student enrollment and financial data that were in the student information system (for automated and application awards) and, for application awards, the student's application on the dates that awards were processed to make the award decisions but did not document the student information that they used to make these determinations at the time the awards were made. Moreover, they did not generate or keep documentation of the computer queries of the student information system that were used under the automated process or record the results of their manual reviews under the application process.

University officials stated that they could not generate complete and accurate electronic spreadsheets after award decisions were made because the student information system did not maintain a complete historical record of student enrollment and financial information and that the University did not have a separate data warehouse that preserved historical data. The officials further stated that student information that was used to determine eligibility for emergency financial aid grants in one school term can change as students' circumstances change over time. For example, the University relied on students' enrollment status to ensure only students who were enrolled at least half-time received automated awards for the applicable school terms. However, enrollment information is dynamic and can change as students add or drop classes, whereby students could appear eligible on the day awards were processed but later appear ineligible due to changes in enrollment status.

The University also lacked complete documentation to support its management decisions related to the numerous changes in student eligibility requirements. Unlike the CARES Act, CRRSAA and ARP require schools to prioritize students with exceptional need. The Department requires schools to carefully document how they prioritize students with exceptional need in distributing financial aid grants to students. The University used criteria to prioritize students with exceptional need that varied from term to term for CRRSAA and ARP automated awards. While the University posted a general description of the student aid eligibility requirements for each term on its public website, it did not create any additional documentation supporting why it changed its criteria each term or how revising the criteria each term continued to prioritize students with exceptional need. For application awards, students indicated their exceptional

¹⁶ We also reviewed awards that we identified as having data quality issues on the University's electronic spreadsheets for automated awards made under the CARES Act and automated and application awards made under CRRSAA and ARP, as described in Appendix A (Sampling Methodology).

need through completing an online application that included identifying the specific financial impact related to the coronavirus.

The University's CRRSAA and ARP automated award eligibility criteria were changed each term. For CRRSAA automated awards in the spring 2021 term, the University awarded emergency financial aid grants to students who either received a Pell grant or had an EFC of \$12,000 or less if they were not Pell recipients. Similarly, for ARP automated awards in the fall 2021, the University made awards to students with EFCs of \$1,400 or less, and graduate, medical and law students with EFCs of zero. In comparison, for CRRSAA automated awards in the fall 2021 term, the University awarded emergency financial aid grants to Title IV-eligible students. Then, for ARP automated awards in the spring and summer 2021 terms, the University made awards based on students' outstanding debt owed to the University.

The University established an executive coronavirus committee tasked with overseeing its use of HEERF grant funds that included establishing the eligibility criteria for awarding automated and application emergency financial aid grants to students each term. While this policy setting committee met periodically, it did not create a record of meeting discussions or policy decisions. As a result, the University did not provide documentation on how the criteria used each term prioritized students with exceptional need or how changing the criteria each term continued to achieve that purpose. Because Department guidance and applicable regulations provide schools discretion to determine who should receive Student Aid funds based on their own circumstances, we did not assess whether other eligibility requirements would have more effectively prioritized students with exceptional need.

As stated in the finding above, Uniform Guidance at 2 C.F.R. section 200.303 requires schools to establish and maintain effective internal control, and written policies and procedures are a necessary component of effective internal controls. Furthermore, Uniform Guidance at 2 C.F.R. section 200.302(b)(3) and (4) requires schools receiving Federal grant funds, including HEERF, to maintain source documentation that supports federally funded expenditures and to have effective controls over Federal funds to assure they are used solely for authorized purposes. The Department's HEERF guidance further states that institutions "should carefully document how they prioritize students with exceptional need in distributing emergency financial aid grants to students, as the Department is exploring reporting requirements regarding the distribution of emergency financial aid grants to students (see 2 C.F.R. section 200.334)." The University is responsible for preparing and maintaining documentation that supports its responses to grant reporting requirements as well as compliance with program requirements.

Without accurate and complete supporting documentation, the University's existing processes provide limited assurance that funding decisions for awarding emergency financial aid grants to students complied with applicable Federal requirements. The University should carefully document its award determinations, eligibility criteria, and management decisions, including maintaining a record of the key information it relied on to qualify students for automated and application awards. It is also important that such information be available for management to review to ensure emergency financial aid grants are made to eligible students for the correct amount.

Recommendations

We recommend that the Assistant Secretary for the Office of Postsecondary Education—

- 1.1 Require the University of Cincinnati to develop and implement a review process to prevent or detect payment errors when awarding emergency financial aid grants to students, including written policies and procedures detailing how the reviews shall be conducted and the results documented, in accordance with 2 C.F.R. section 200.303.
- 1.2 Require the University of Cincinnati to develop and implement written policies, procedures, and management review to ensure that its award determinations, eligibility criteria, and management decisions related to eligibility for its emergency financial aid grants to students are adequately documented and supported at the time award decisions are made, in accordance with 2 C.F.R. section 200.302(b)(3).
- 1.3 Require the University of Cincinnati to carefully document how its student aid eligibility criteria prioritized and continues to prioritize students with exceptional need throughout the HEERF grant performance period.

University of Cincinnati Comments

The University did not state whether it agreed or disagreed with the finding, but agreed with the recommendations. The University's proposed corrective actions included the development and implementation of a review process to prevent or detect payment errors and written policies, procedures, and management reviews consistent with the grant award administration requirements specified in Recommendation 1.1 and Recommendation 1.2. The University also stated that when awarding future emergency financial aid grants to students, it will document how its student aid eligibility criteria prioritizes students with exceptional need.

OIG Response

The University's proposed corrective actions, if effectively implemented, are generally responsive to our recommendations. However, the University's corrective actions should also include steps to document how its past student aid eligibility criteria prioritized students with exceptional need.

Finding 2. University of Cincinnati Generally Used Institutional Grant Funds for Allowable and Intended Purposes but Needs to Strengthen Certain Processes to Ensure Compliance with Grant Requirements

As of September 30, 2021, the University of Cincinnati had spent \$67.8 million (92 percent) of the \$73.9 million in HEERF Institutional grant funds awarded to the University, including all of its CARES Act and CRRSAA and 83 percent of its ARP Institutional funding. The University generally used its Institutional grant funds in accordance with applicable Federal requirements. However, as discussed later in this finding, we found that the University overestimated the amount of lost revenue charged to its HEERF Institutional grant by \$797,965 and did not fully comply with Uniform Guidance for its noncompetitive procurements.

After discussing our audit results with University officials, they informed us that the University repurposed the \$797,965 we questioned to reimburse itself for other expenditures it deemed as allowable uses of Institutional grant funds.

How University of Cincinnati Used Institutional Grant Funds

Under the CARES Act, Congress intended for schools to use HEERF Institutional grant funds to cover any costs associated with significant changes to the delivery of instruction due to coronavirus. CRRSAA and ARP expanded the allowable uses of HEERF Institutional grant funds to include defraying expenses associated with coronavirus, such as lost revenue, reimbursement for expenses already incurred, and payroll. In deciding how to use the HEERF Institutional grant funds, University officials stated that they reviewed expenditures already incurred to keep the school operating when its campuses closed on March 23, 2020, reopened in August 2020 with hybrid instruction, and continued to operate during the coronavirus pandemic. They also reviewed Department guidance to help in their decision-making on what expenditures might be allowable for reimbursement under the grant.

Of the \$67.8 million spent as of September 30, 2021, the University reported using \$45.4 million (67 percent) to replace lost revenue and \$22.4 million (33 percent) for student refunds and scholarships, expenses related to managing the University's coronavirus response, and salaries and benefits, as shown in Table 3 on the next page.

Table 3. University of Cincinnati's Institutional Grant Expenditures through September 30, 2021

Category of Expenditure	Amount	Percent of Total
Lost revenue from academic and auxiliary-services sources, including academic program fees, student housing, food services, parking, and other campus services fees	\$45,423,455	67%
Refunds of housing, campus life and general fees issued in the form of a student account credit to 40,435 students who had to leave campus when dormitories were closed, and classes moved to remote instruction	\$11,083,224	16%
Operational costs associated with response to coronavirus (testing, contact tracing, safety measures, telework costs, canceled study-abroad)	\$6,241,868	9%
Scholarships in the form of student account credit covering their non-resident surcharge fees and cooperative education fees for 911 students for coronavirus-related attendance disruptions	\$4,094,545	6%
Salaries and benefits for 226 employees (faculty, staff, and students) performing functions supporting the University's response to the coronavirus, such as coronavirus testing and contact tracing	\$992,942	2%
Total	\$67,836,034	100%

Source: OIG analysis of the University of Cincinnati's quarterly HEERF Institutional expenditure reports posted on the University's website through September 30, 2021, and Institutional expenditures detail reports provided by the University.

Required Uses of ARP Institutional Grant Funds

The University of Cincinnati used \$400,277 of its ARP Institutional grant funds to purchase and offer masks, coronavirus testing, and a contact tracing app, and for services to implement evidence-based practices to monitor and suppress coronavirus in

accordance with public health guidelines, as required by ARP.¹⁷ As of September 30, 2021, the University had not yet used ARP Institutional grant funds to conduct direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to special financial circumstances, which ARP also required. A University official stated that the University later used its ARP Institutional grant funds for this purpose when it mailed outreach postcards to students in November 2021.

University of Cincinnati Charged Unsupported Lost Revenue Costs to its HEERF Institutional Grant

The University of Cincinnati overestimated the amount of lost revenue charged to its HEERF Institutional grant by \$797,965 (2 percent). This amount consisted of \$519,804 in faculty and staff parking revenue that was not recognized and recorded in the appropriate period and \$278,161 in duplicate charges for parking refunds that the University had previously charged to another Federal grant—the U.S. Department of Treasury’s Coronavirus Relief Fund (CRF). We determined that the University’s lost revenue calculation was overestimated by \$797,965 because the University did not have adequate internal control procedures in place to review and approve the lost revenue data used in the calculation to ensure it was accurate and supported by appropriate source documentation.

The University of Cincinnati calculated \$43.7 million, or 96 percent of the \$45.4 million in lost revenue charged to HEERF (as shown in Table 3), as a variance between revenue from academic and auxiliary-services sources for the 9 months that ended March 31, 2020, and the 9 months that ended March 31, 2021.¹⁸ To calculate the variance, the University identified cost centers¹⁹ within its general ledger accounting records that experienced losses as a result of coronavirus. When the University used this period-over-period method to calculate \$6.9 million in lost revenue from faculty, staff, and

¹⁷ These expenditures were included in the expenditure category for Operational Costs Associated with Response to Coronavirus (\$6.2 million), as shown in Table 3. The \$6.2 million included \$4.2 million in Campus Safety costs, which included the \$400,277 to implement evidence-based practices to monitor and suppress coronavirus and was reimbursed with ARP Institutional grant funds.

¹⁸ The University calculated the remaining 4 percent (\$1.7 million) in lost revenue as an estimate of waived faculty and staff parking fees for the period March 25, 2020, through November 30, 2020, when the University operated remotely (\$1.6 million), and revenues that were eliminated when the College-Conservatory of Music cancelled art lessons and performances due to coronavirus (\$142,000).

¹⁹ The University defines a cost center as a financial activity segregated based on the type of operation at the University. Several cost centers often pertained to one revenue general ledger account.

student parking fees, it overstated lost revenue by \$797,965 due to the improper revenue recognition and duplicate charges.

The University did not have procedures in place to ensure that its calculation of lost revenue was consistent with its revenue recognition policies for all of the revenue sources included in the calculation. The University relied on the revenue balances as generated from its accounting records but did not review the underlying accounting data to ensure revenue was properly recognized and did not include duplicate lost revenue charges. Consistent with the cost principles of the Uniform Guidance (2 C.F.R. part 200 subpart E), the Department's lost revenue guidance requires that the calculation of lost revenue must be accorded consistent treatment and be consistent with policies and procedures that apply uniformly to federally financed and other activities of the institution.²⁰

Uniform Guidance at 2 C.F.R. section 200.303 further requires schools to establish and maintain effective internal control that provides reasonable assurance that Federal awards are managed in compliance with Federal statutes, regulations, and grant terms and conditions. The University of Cincinnati did not establish adequate internal control procedures, such as transaction and activity review and approval requirements, for charging lost revenue to the grant that would identify and prevent underlying data issues and duplicate charges.

As a result, the University of Cincinnati improperly used \$797,965 of its HEERF Institutional grant funds to reimburse itself for lost revenue that was not supported by its accounting records. Proper management reviews and documentation supporting charges to Federal grants help to protect taxpayer dollars; minimize the risk of fraud, waste, and abuse; and ensure Federal funds are used for allowable and intended purposes.

University of Cincinnati Repurposed Questioned Costs

After we discussed our audit results with University officials, they informed us that in June 2022 they repurposed the \$797,965 that we questioned in this finding. University officials stated that they did not return the funds to the Department because the University's HEERF Institutional grant expenditures for June 2022 exceeded the amount that we questioned. Instead, the University reduced its June 2022 drawdown by \$797,965 to use this amount to reimburse itself for that month's Institutional

²⁰ Question 9 in "Higher Education Emergency Relief Fund (HEERF I, II, and III) Lost Revenue Frequently Asked Questions," March 19, 2021. HEERF I refers to grant funds awarded under the CARES Act, HEERF II refers to the CRRSSA, and HEERF III refers to ARP.

expenditures that were charged to the HEERF grant. We did not review the repurposed expenditures because this activity occurred outside our audit period.

University of Cincinnati Did Not Fully Comply with Uniform Guidance for Its Noncompetitive Procurements

Of the \$6.2 million in expenditures that the University of Cincinnati incurred for operational costs associated with its response to the coronavirus (as shown in Table 3), it did not provide adequate documentation supporting a noncompetitive procurement process for Institutional grant purchases of \$1,916,041 involving 11 vendors (as shown in Table 4) each exceeding the University’s micro-purchase threshold of \$15,000.²¹ Uniform Guidance general procurement standards require a competitive process for such purchases, unless specific circumstances apply and the school has sufficient records to support its rationale for the noncompetitive method of procurement. The University did not maintain adequate documentation to support its rationale for these noncompetitive procurements. Moreover, the University did not document its determination of the reasonableness of these costs and did not perform price analyses for purchases from 3 of the 11 vendors that exceeded the simplified acquisition threshold (SAT) of \$250,000, which is also required by Uniform Guidance.²²

Table 4. University of Cincinnati’s Unsupported Noncompetitive Procurements

Expenditure Description	Number of Vendors	Amount	Percent of Total Amount
Coronavirus Testing ²³	3	\$1,645,364	86%
Personal Protective Equipment	3	146,860	8%

²¹ In a letter dated October 18, 2019, the U.S. Department of Health and Human Services approved the University’s micro-purchase threshold of \$15,000 for goods and \$30,000 for professional, noncompetitive services. Uniform Guidance at 2 C.F.R. section 200.320 defines “micro-purchase threshold” as the dollar amount at or below which a non-Federal entity may purchase property or services using micro-purchase procedures, including noncompetitive procurement.

²² Uniform Guidance at 2 C.F.R. section 200.320 defines SAT as the dollar amount below which a non-Federal entity may purchase property or services using small purchase methods where price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the school. Purchases below SAT do not require formal procurement methods such as sealed bids or proposals.

²³ Purchases from each of the three coronavirus testing vendors also exceeded the SAT of \$250,000.

Expenditure Description	Number of Vendors	Amount	Percent of Total Amount
Software	2	99,380	5%
Other	3	24,437	1%
Total	11	\$1,916,041	100%

Source: OIG's analysis of the University of Cincinnati's expenditure data.

Uniform Guidance sets procurement standards and cost principles for Federal awards, including the following requirements:

- 2 C.F.R. section 200.318(i) requires the University to maintain sufficient records to detail the history of procurement, including the rationale for the method of procurement and the basis for the contract price.
- 2 C.F.R. sections 200.403 and 200.404 provide that costs must be adequately documented and determined reasonable.
- 2 C.F.R. section 200.324 requires cost or price analysis in connection with every procurement action in excess of the SAT.

Uniform Guidance also defines specific circumstances in which noncompetitive procurement can be used, such as when the item is available from a single source, the public exigency will not permit delay resulting from a competitive process, or under express authorization by the Federal awarding agency. The University's written procurement policies require bid-waiver letters or letters of justification to document circumstances for noncompetitive procurements. According to University policy, such waiver requests must be in writing, submitted to the appropriate Central Purchasing buyer, and approved. However, for 10 of the 11 vendors with noncompetitive procurements totaling \$1,915,036, either the University did not prepare bid-waiver letters (\$1,665,075 of expenditures) or the letters were missing approval by Central Purchasing (\$249,961 of expenditures). The University did not document its justification for using the alternative procedures. Moreover, the University did not document the reasonableness of the contracted prices or rates and did not perform price analyses for purchases from the three vendors that exceeded the SAT of \$250,000.

The University contracted with three vendors totaling \$156,960 in March and April 2020 and with eight vendors totaling \$1,759,081 during the period August 2020 through January 2021. University officials stated that they followed the University's procurement policies and procedures applicable to non-Federal grants because they were not expecting Federal funding, such as HEERF Institutional grant funds, to cover the purchases. University officials also stated that they authorized and followed expedited

acquisition processes needed to quickly put life-safety measures in place during the coronavirus emergency.²⁴ The officials further stated that at times, the acquisitions were made under intense pressure where blanket and verbal approvals were accepted. We recognize the challenging circumstances under which officials were operating early in the pandemic; however, before the University decided to charge the \$1,916,041 to its HEERF Institutional grant in June 2021, it should have ensured that the associated procurements were documented in accordance with Federal requirements.

With noncompetitive procurements that did not consider reasonableness of cost, the University might be paying more for the same goods and services, or receiving goods and services of inferior quality, when compared to other vendors. Lack of approval for noncompetitive procurements improperly precludes the cost and quality benefits of a competitive procurement process. Further, it is important that Federal grantees, such as the University of Cincinnati, perform a price analysis for purchases over the SAT to ensure that they do not overpay for large purchases.

Recommendations

We recommend that the Assistant Secretary for the Office of Postsecondary Education—

- 2.1 Require the University of Cincinnati to develop and implement written policies and procedures, including procedures that would identify and prevent improper revenue recognition and duplicate charges, to ensure that future calculations for charging lost revenue to its HEERF Institutional grant are reviewed for accuracy and consistency with its financial reporting policies and procedures.
- 2.2 Determine whether the University of Cincinnati implemented appropriate corrective actions to resolve the \$797,965 in unsupported lost revenue costs it charged to its HEERF Institutional grant; and, if the corrective actions are inappropriate, require the University to either return the funds to the Department or reallocate the funds for allowable expenditures.

²⁴ On March 9, 2020, the State of Ohio’s governor declared a State emergency regarding the coronavirus. In response, on March 25, 2020, the Ohio Department of Administrative Services issued a notice suspending competitive procurement requirements for State agencies for purchases of “resources and supplies necessary to protect the health, safety, and welfare of Ohioans and resolve the COVID-19 emergency.” The University’s Purchasing Director stated that the University is not a State agency and follows its own or Federal procurement rules for Federal grants; however, the State’s notice added support to the University treating the coronavirus as a life-safety issue.

- 2.3 Determine whether the \$1,916,041 that the University of Cincinnati charged to its HEERF Institutional grant for noncompetitive procurements was reasonable when compared to the costs of suitable alternatives; and, if the charges were inappropriate, require the University to either return the funds to the Department or reallocate the funds for allowable expenditures.
- 2.4 Require the University of Cincinnati to develop and implement written policies and procedures to ensure that procurements charged to its HEERF Institutional grant are in accordance with applicable Federal requirements; and it consistently follows its procurement policies and procedures, including maintaining sufficient documentation to support its rationale for noncompetitive procurements and the basis for and reasonableness of the contract price.

University of Cincinnati Comments

The University did not state whether it agreed or disagreed with the finding, but agreed with the recommendations. The University's proposed corrective actions included the development and implementation of written policies and procedures consistent with the applicable lost revenue and procurement requirements specified in Recommendation 2.1 and Recommendation 2.4. The University also stated that it has repurposed the funds associated with the lost revenue costs identified in Recommendation 2.2 for purposes it believes are allowable and believes the noncompetitive procurements identified in Recommendation 2.3 were reasonable when compared to the costs of suitable alternatives.

OIG Response

The University's proposed corrective actions for Recommendations 2.1 and 2.4, if effectively implemented, are responsive to our recommendations. For Recommendations 2.2 and 2.3, the University will need to work with Department officials who are responsible for determining the appropriateness of corrective actions already taken to resolve the unsupported lost revenue costs and the reasonableness of costs associated with noncompetitive procurements.

Finding 3. University of Cincinnati Did Not Fully Comply with Federal Cash Management Requirements

The University's administration of HEERF Student Aid grant funds did not fulfill certain Federal cash management requirements. Specifically, the University did not minimize the time between drawing down and disbursing its CARES Act Student Aid grant funds and remitted imputed interest on unspent CARES Act Student Aid grant funds rather than earned interest.

When the Department made CARES Act Student Aid grant funds available, the University of Cincinnati deviated from its existing cash management process of reimbursement and instead drew down the funds as advance payments. Senior University officials stated that they drew down all of the University's CARES Act Student Aid grant funds as soon as the funds were awarded because they understood that it was allowable under the terms of the award notice since the funds were provided under emergency measures and the University had an immediate need. However, the University did not update its policies and procedures to incorporate the Federal cash management requirements for advance payments. Instead, the University maintained the unspent CARES Act Student Aid grant funds in its temporary investment pool (TIP) and imputed an interest amount, as described later in this finding, using the same processes as for all other reimbursed Federal funds.²⁵

Federal regulations at 2 C.F.R. section 200.305(b) state that non-Federal entities, such as the University, "must minimize the time elapsing between the transfer of funds from [the Department] and the disbursement by the non-Federal entity" The regulations further state that advance payments must be limited to actual cash requirements for approved purposes, that these payments must be held in interest-bearing accounts, and that up to \$500 earned interest per year may be retained by the non-Federal entity for administrative expenses. Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted to the Department of Health and Human Services Payment Management System. Non-Federal entities that draw down funds in advance of immediate cash needs must maintain written procedures that minimize the time between drawing down and disbursing Federal funds.

²⁵ The University drew down the Institutional portion of its CARES Act grant funds to reimburse itself for program expenditures, and similarly reimbursed itself for Student Aid and Institutional expenditures under CRRSAA and ARP.

In accordance with its cash management policies and procedures, the University typically uses its own funds first before drawing down Federal funds to reimburse itself for program expenditures. Its policy is to draw down Federal funds after program costs are incurred and not as an advance. The University's existing cash management policies and procedures did not address advance payments or the Federal requirement to minimize the time between drawing down and disbursing Federal funds.

When signing the Recipient's Funding Certification and Agreement in April 2020 to access the University's CARES Act Student Aid grant funds, the University certified that it would comply with 2 C.F.R. part 200. Further, Enclosure 4 of the Grant Award Notification for the Student Aid grant, dated in April 2020, also reminded grantees of existing cash management requirements in 2 C.F.R. part 200 and described the requirements in detail. Therefore, the University officials were made aware of, agreed to comply with, and should have ensured compliance with Federal cash management requirements.

University of Cincinnati Did Not Minimize the Time Between Drawing Down and Disbursing CARES Act Student Aid Grant Funds

The University of Cincinnati drew down its CARES Act Student Aid grant funds in advance of immediate cash needs instead of properly minimizing the time between drawing down and disbursing these funds. The Department authorized \$11,763,656 in CARES Act Student Aid grant funds for the University on April 25, 2020, and the University drew down all of the funds on May 5, 2020. The University did not have an immediate cash need for all of the drawn funds, as discussed below; thus, the University did not comply with 2 C.F.R. section 200.305(b).

As shown in Table 5, the University disbursed most (71 percent) of its CARES Act Student Aid grant funds within 15 days of drawing down the funds and had disbursed nearly all of the funds (91 percent) by the end of May 2020. However, the University of Cincinnati inappropriately held onto the remaining funds, ranging from about \$500 to \$1 million, as it continued to periodically disburse grant funds up through December 2020, more than 225 days after drawing down the funds.

Table 5. Draw Down and Disbursement Activity for University of Cincinnati's CARES Act Student Aid Grant Funds, May 5, 2020, through December 18, 2020

Date ²⁶	Draw Down and (Disbursement) Amount	Remaining CARES Act Student Aid Grant Funds	Percent of Drawn Funds Disbursed (Cumulative)	Number of Days Elapsed
May 5, 2020	\$11,763,656	\$11,763,656	0%	0
May 18, 2020	(8,347,000)	3,416,656	71%	13
May 28, 2020	(2,364,250)	1,052,406	91%	23
June 10, 2020	(41,500)	1,010,906	91%	36
June 16, 2020	(500)	1,010,406	91%	42
July 2, 2020	(389,000)	621,406	95%	58
July 31, 2020	(237,000)	384,406	97%	87
September 1, 2020	(250)	384,156	97%	119
November 16, 2020	(500)	383,656	97%	195
December 4, 2020	(500)	383,156	97%	213
December 17, 2020	(382,650)	506	100%	226
December 18, 2020	(506)	—	100%	227

Source: OIG's Analysis of the University of Cincinnati's CARES Act Emergency Financial Aid Payments report.

University officials stated that they drew down all of the CARES Act Student Aid grant funds as soon as the funds were available because they understood that the grant

²⁶ The CARES Act Student Aid disbursements made from May through November 2020 were for emergency financial aid grants to students enrolled at the University for the spring and summer 2020 school terms. The disbursements made in December 2020 were generally for the fall 2020 school term.

allowed for an emergency advance of funds. The grant did allow for funds to be drawn down in advance of actual needs but, as noted above, University officials were also made aware of and agreed to comply with the Federal cash requirements to minimize the time between drawing down and disbursing the funds. Thus, the officials should not have drawn down the funds until they were prepared to disburse them.

It is important that schools not draw Federal funds before they have immediate needs for the funds. The U.S. Treasury incurs additional borrowing costs when a school draws Federal funds in advance of its immediate cash needs because the U.S. Treasury often borrows the cash needed to fund Federal programs and, as a result, incurs interest costs.

University of Cincinnati Remitted Imputed Rather Than Earned Interest on Its CARES Act Student Aid Grant Funds

The University of Cincinnati maintained its CARES Act Student Aid grant funds in a TIP,²⁷ and calculated and remitted an imputed amount of interest based on a lower Treasury bill rate rather than the amount of earnings the unspent CARES Act Student Aid grant funds generated based on the TIP's average rate of return. Specifically, using information on the CARES Act Student Aid grant fund balances from its accounting system for May through December 2020, the University's Treasury Department imputed interest monthly on the grant funds' daily average balances using 3-month Treasury bill rates. Using the Treasury bill rates, total imputed interest amounted to \$1,450. The University remitted \$1,270 of this amount to the Department of Health and Human Services in September 2020 and retained \$180 for administrative expense.²⁸

Further, University officials stated that using 3-month Treasury bill rates to impute interest was comparable to the interest rate of the University's cash deposits. However, we determined that the TIP's average rate of return was generally higher than the 3-month Treasury bill rates for the period May through December 2020. We also determined that the TIP's average rate of return would provide an accurate accounting of interest earned if used in the University's calculation than the 3-month Treasury bill

²⁷ The TIP includes cash, bank depositories, money market funds, and fixed income securities of relatively short duration. The University manages the TIP based on cash flow needs and within the constraints of its TIP investment policy statement.

²⁸ The \$1,270 in imputed interest that the University remitted in September 2020 was for May and June 2020, when the average outstanding balances for the CARES Act Student Aid grant funds were more than \$1 million. University officials stated that they retained the \$180 in imputed interest for July through December 2020 as administrative expense since it was less than \$500.

rates. If the University had used the TIP's average rate of return for those months, the earnings attributable to the unspent CARES Act Student Aid grant funds would have amounted to \$36,889, which was \$35,439 more than the \$1,450 in imputed interest.

The University of Cincinnati did not have policies and procedures to determine and remit actual earnings on Federal advance payments and remitted imputed interest amounts instead. If Federal advances are maintained and commingled with other Federal and non-Federal funds in a diversified portfolio of accounts like the TIP, the University's policies and procedures should ensure that it accurately accounts for the interest earned on the unspent Federal funds. It is important that the University have effective control and accountability of Federal cash advances to safeguard them and to ensure compliance with Federal regulations.

Recommendations

We recommend that the Assistant Secretary for the Office of Postsecondary Education—

- 3.1 Require the University of Cincinnati to incorporate in its policies and procedures and implement the cash management requirements for minimizing the time between drawing down and disbursing Federal grant funds, and remitting interest earned in excess of \$500 in accordance with 2 C.F.R. section 200.305(b).
- 3.2 Require the University of Cincinnati to remit \$35,439 based on the TIP's average rate of return, less no more than \$320 (\$500 minus the \$180 already retained) for administrative expenses if applicable; and remit the actual amount of earned interest on any future advances of Federal funds, in accordance with 2 C.F.R. section 200.305(b)(9).

University of Cincinnati Comments

The University did not state whether it agreed or disagreed with the finding. It agreed with Recommendation 3.1 but disagreed with Recommendation 3.2. In response to Recommendation 3.1, the University stated that its existing policy is to draw down funds for reimbursement of expenditures and not to receive funds in advance. However, the University believed that the Department permitted HEERF funds to be drawn down when they became available due to the emergency nature of the funding. Regarding Recommendation 3.2, the University stated that the funds were invested in a secure money market fund which was not earning the long-term rate that the \$35,439 calculation is based on.

OIG Response

For Recommendation 3.1, the University's existing policy appears to incorporate the applicable cash management requirements, and if followed for HEERF funding in the future, would be responsive to Recommendation 3.1. However, we disagree with the University's statement in response to Recommendation 3.2 that the funds were invested in a secure money market fund. We acknowledge that the University's TIP, where the funds were deposited, included a money market fund among many other investment options. However, the University did not provide sufficient evidence to demonstrate that the funds were deposited and held in this specific money market fund within the TIP. The funds were commingled with other Federal and non-Federal funds held in the TIP and yielded \$35,439 of earnings based on the TIP's average rate of return. Therefore, we did not make any changes to the finding or Recommendation 3.2.

Finding 4. University of Cincinnati's HEERF Quarterly Reporting Was Not Always Accurate and Publicly Available

The University of Cincinnati's Student Aid and Institutional reporting was generally complete and timely but was not always accurate. Specifically, the University improperly reported \$4.1 million of scholarships awarded to students in the form of student account credit as additional emergency financial aid grants to students in a quarterly report of HEERF Institutional expenditures. In addition, the University did not keep previous Student Aid and Institutional quarterly reports posted on its public website after posting updated reports.

Schools must report publicly on their use of HEERF funds by posting the required information on the school's primary website each quarter. The Department prescribed the contents and due dates for the quarterly Student Aid and Institutional reports. The Department also required schools to submit an annual performance report by completing an online data collection form. We determined that the information in the University of Cincinnati's Student Aid and Institutional quarterly reports for the reporting periods through the quarter ending September 30, 2021, was generally complete and timely, but not always accurate as discussed below. In addition, the information in the University's first HEERF annual performance report for the period ending December 31, 2020, was generally accurate, complete, and timely.

After we discussed our audit results with University officials, the University revised its quarterly HEERF Institutional expenditure report for the quarter that ended June 30, 2021, to properly identify the \$4.1 million as scholarships and uploaded the missing reports to its website.

University of Cincinnati Did Not Properly Report \$4.1 Million of Institutional Expenditures

The University of Cincinnati used HEERF Institutional grant funds to reimburse itself for \$4.1 million in scholarships provided to 911 students whose attendance was disrupted by the coronavirus pandemic in the summer and fall 2020 school terms and spring 2021 term. However, we found that the University incorrectly reported these scholarships as additional emergency financial aid grant payments to students in its quarterly HEERF Institutional expenditure report for the quarter that ended June 30, 2021. The University had distributed the scholarships as credits that were posted to student accounts, which reduced student account balances and generally were not paid to

students.²⁹ The University also did not obtain students' written consent to apply the award funds to student accounts, which would be required for the account credits to qualify as emergency financial aid payments to students under criteria applicable to the HEERF Student Aid grant.

The University's HEERF Institutional Portion Certification and Agreement provides that HEERF Institutional grant funds can be used to provide additional emergency financial aid grants to students, and Department guidance clarified that institutions may not use the financial aid grants to satisfy a student's account balance without the student's written affirmative consent.³⁰ Uniform Guidance at 2 C.F.R. section 200.403(b) additionally provides that costs must conform to any limitations or exclusions set forth in the Federal award as to their types and amount in order to be allowable under Federal awards.

University officials incorrectly determined and reported these scholarships as emergency financial aid payments to students reimbursable from HEERF Institutional grant funds. The officials made this decision without properly considering or understanding all relevant attributes of the expenditure, including the nature of the scholarship transactions, available supporting records and documents, and requirements for using HEERF Institutional grant funds to provide emergency financial aid grants to students. The University should have reported the \$4.1 million as scholarships instead of as additional emergency financial aid grants to students.

Schools are required to report publicly and accurately on their use of HEERF Institutional grant funds on the school's primary website each quarter to ensure transparency and accountability as to when and how institutions expended funds. The University of Cincinnati did not have written policies and procedures to ensure that the expenditures included in its quarterly HEERF Institutional expenditure reports are accurate and reported in the appropriate expenditure category. When transparency and accountability are not achieved in the reporting of grantees' use of Federal grant funds, it negatively impacts the Department's ability to effectively monitor Federal grants.

²⁹ In instances where the scholarship resulted in a credit balance in a student's account, the credit balance was disbursed to the student.

³⁰ "Higher Education Emergency Relief Fund (HEERF) II Public and Private Nonprofit Institution (a)(1) Programs (CFDA 84.425E and 84.425F) Frequently Asked Questions, Coronavirus Response and Relief Supplemental Appropriations Act, 2021," published January 14, 2021. Question 8 addresses requirements for making financial aid grants to students and Question 9 addresses how students may use their grants.

After we discussed our audit results with University officials, in July 2022 the University revised its quarterly HEERF Institutional expenditure report for the quarter that ended June 30, 2021. In the revised report, the University's use of HEERF Institutional grant funds for the scholarships properly appears as an "Other" use (with explanatory information) rather than as additional emergency financial aid grants to students. We confirmed that the University posted the revised report on its public website in August 2022.

University of Cincinnati Did Not Keep Previous Student Aid and Institutional Reports on Its Public Website

In October 2020, the Department offered a webinar on the quarterly reporting requirements for HEERF grantees. Following the webinar, the Department issued guidance about maintaining all of the quarterly reports on the school's public website. Specifically, technical Frequently Asked Questions (FAQ) Question 2 in the guidance states that "[w]e ask that institutions separately maintain each quarterly report on their website, which adds transparency and accountability as to when and how institutions expended funds."³¹

Because schools were not required to submit the quarterly reports to the Department, the availability of reports on recipients' public facing websites provides an important means to ensure transparency and accountability. In April 2022, we noted that the University of Cincinnati did not keep links to previous versions of quarterly HEERF Student Aid and Institutional reports on its public website. When we brought this matter to their attention, University officials stated that they were not aware of the Department's posting requirement and uploaded the missing reports to their website by June 2022.

Recommendations

We recommend that the Assistant Secretary for the Office of Postsecondary Education—

- 4.1 Require the University of Cincinnati to develop and implement written policies and procedures that incorporate the HEERF program's reporting requirements and ensure that the expenditures in its quarterly HEERF Institutional expenditure reports are accurate and reported in the appropriate expenditure category.

³¹ In a letter to HEERF project directors dated October 19, 2020, the Department provided a summary of the webinar, resources, and Technical FAQs on the quarterly public reporting requirements.

University of Cincinnati Comments

The University did not state whether it agreed or disagreed with the finding, but agreed with the recommendation. The University did not state its planned corrective actions in response to this recommendation.

OIG Response

To be responsive to our recommendation, the University's corrective actions should include the development and implementation of written policies and procedures that incorporate the HEERF program's reporting requirements and better ensure the accuracy and completeness of HEERF expenditure reports.

Appendix A. Scope and Methodology

Our audit of the University of Cincinnati's use of HEERF funds covered March 13, 2020, through September 30, 2021. Our audit also covered the University's cash management practices and reporting of HEERF expenditures.

To achieve our audit objective, we gained an understanding of the following laws, regulations, Department guidance, and grant documents relevant to HEERF:

- Section 18004 of the CARES Act, Higher Education Emergency Relief Fund;
- Section 314 of CRRSAA, Higher Education Emergency Relief Fund;
- Section 2003 of ARP, Higher Education Emergency Relief Fund;
- 2 C.F.R. part 200 (Uniform Guidance), including section 200.302(b)(3) and (4) (financial management documentation and controls), section 200.303 (internal controls), section 200.305(b) (cash management for non-Federal entities), section 200.309 (period of performance), sections 200.318–320 (general procurement standards, competition, and methods of procurement), section 200.324 (contract cost and price), section 200.334 (record retention), and sections 200.403–404 (cost principles);
- Department's Interim Final Rule (June 17, 2020) and Final Regulation (May 14, 2021) regarding student eligibility; Secretary of Education letters (April 9 and April 21, 2020) addressing school access to HEERF grants; and eight HEERF FAQ documents issued from April 2020 through July 2021, including Student Portion FAQs (April 9, 2020), "FAQ Rollup Document" (October 14, 2020), "Higher Education Emergency Relief Fund (HEERF) II Public and Private Nonprofit Institution (a)(1) Programs (CFDA 84.425E and 84.425F) Frequently Asked Questions, Coronavirus Response and Relief Supplemental Appropriations Act, 2021" (January 14, 2021), "Higher Education Emergency Relief Fund (HEERF I, II, and III) Lost Revenue Frequently Asked Questions" (March 19, 2021), and "Higher Education Emergency Relief Fund III Frequently Asked Questions, American Rescue Plan Act of 2021" (May 11, 2021); and
- University of Cincinnati's Student Aid and Institutional grant documents, including its signed Certification and Agreement and the Grant Award Notification documents.

We also reviewed the following prior OIG and Government Accountability Office (GAO) reports to gain an understanding of common risks associated with managing emergency financial relief grants, such as HEERF:

- **OIG Reports:**
 - “Remington College’s Use of Higher Education Emergency Relief Fund Student Aid and Institutional Grants,” ED-OIG/A20CA0017, September 28, 2021;
 - “Lincoln College of Technology’s Use of Higher Education Emergency Relief Fund Student Aid and Institutional Grants,” ED-OIG/A20CA0016, September 24, 2021;
 - “Challenges for Consideration in Implementing and Overseeing the CARES Act,” ED-OIG/X20DC0003, September 2020; and
 - “Lessons from Implementing the American Recovery and Reinvestment Act of 2009,” ED-OIG/X09M0002, September 2014.
- GAO Report—“COVID-19: Opportunities to Improve Federal Response Efforts,” GAO-20-625, June 2020.

Through interviews, we gained an understanding of the University of Cincinnati’s processes for drawing down and managing HEERF grant funds, awarding and distributing emergency financial aid grants to students, spending Institutional grant funds, determining lost revenue charges, and preparing required HEERF quarterly reports and first annual performance report. We interviewed senior officials from the Finance/Accounting, Controller, Treasury, Enrollment Management, Bursar and Central Purchasing departments who had a significant role in administering the University’s HEERF grants. To assess the reliability of the testimonial evidence, we compared and corroborated information obtained through interviews by reviewing available documents and records. We concluded that the testimonial evidence we obtained was sufficiently reliable within the context of our audit objective.

We reviewed the University’s written policies and procedures for managing, authorizing, and accounting for HEERF-related transactions and expenditures. We also reviewed the University’s written policies and procedures for HEERF-related cash management and reviewed the University’s drawdown information from the Department’s G5 system. Additionally, we reviewed relevant information from the University’s bank statements; accounting and student information systems; and electronic spreadsheets documenting HEERF distribution and expenditure data. We describe how we used this information to review the University’s use of Student Aid and Institutional grant funds in the Sampling Methodology section on the next page and cash management practices and HEERF reports below.

Cash Management. We compared the dates and amounts of the University’s drawdowns of Student Aid and Institutional grant funds (obtained from the Department’s G5 system) to its expenditure records to determine whether the

University of Cincinnati minimized the time between drawdown and disbursement of those funds. We also traced drawdown information from the Department's G5 system to the University's bank statements and accounting records to verify that the information reconciled. Lastly, we reviewed the types of accounts that were used to deposit the University's HEERF funds to determine whether the accounts earned interest and the University remitted an appropriate amount of earned interest to the Federal government as required.

Reporting. We reviewed the following Student Aid and Institutional reports to determine whether the information included in those reports was complete, accurate, and reported on time:

- Student Aid and Institutional reports for the quarterly periods ending September 30, 2020, through September 30, 2021.
- First Annual Performance Report covering CARES Act Student Aid and Institutional grant activities from March 13, 2020, through December 31, 2020.

To determine whether the reports included complete and accurate information, we compared the information in each report to the Department's reporting requirements and to the applicable underlying source data (for example, University provided Student Aid award files). To determine whether the reports were submitted on time, we compared each of the quarterly Student Aid and Institutional reports' posting date to the reporting due date established by the Department. Similarly, we determined whether the University submitted its first annual performance report on time by comparing the date the University submitted the report to the Department to the required due date.

Sampling Methodology

We tested a sample of Student Aid distributions and Institutional expenditures to determine whether the University of Cincinnati used the Student Aid and Institutional portions of its HEERF funds for allowable and intended purposes.

Student Aid Expenditure Selection and Testing

During our audit period, the University used HEERF Student Aid grant funds to award 56,079 emergency financial aid grants to students. We selected a sample of 155 grant awards using a combined 100-percent review, random nonstatistical, stratified sampling approach, as summarized in Table 6. We developed 11 strata and used a combination of a 100-percent review, a risk-based approach, and a random sampling approach to select awards from each stratum. To develop the strata, we conducted the following steps:

- We analyzed the data that the University created in six stand-alone electronic spreadsheets listing the universe of emergency financial aid grants awarded to students through its automated and application processes under the CARES Act, CRRSAA, and ARP.
- From these data, we created three unique groups based on each coronavirus relief law (funding source).
- Within each group, we created a separate stratum based on the University's award process (automated or application) and, because we identified data quality issues in its electronic spreadsheets, a separate stratum based on the absence or presence of data quality issues where applicable.³²

Once we defined the 11 strata, we stratified the awards by school term and used a 100-percent review, risk-based approach, and random nonstatistical sampling approach to select the awards for review in each stratum. While our strata were representative of the universe of emergency financial aid grant awards, the sampling methodology was not designed to be projected to the universe of awards.

³² When we assessed the reliability of the data in the University's electronic spreadsheets, we noted that most of the grant awards had complete data for our testing purposes. However, a significant number of awards had missing or inaccurate data that increased the risk of payment errors stemming from systemic processing issues or ineffective internal controls. To address this condition, our sampling methodology included selecting 72 awards without data quality issues and 83 awards with data quality issues (total of 155 awards selected for review).

Table 6. Universe and Sample of Student Aid Grant Expenditures through September 30, 2021

Group Stratum	Description ³³	Universe Award Count and Dollar Amount	Sample Award Count and Dollar Amount	Sample Coverage Award Count and Dollar Amount (Percent by Stratum)
1-1	CARES Act automated awards without data quality issues – randomly selected 4 awards from each school term (spring, summer, and fall 2020)	29,508 awards \$10,867,625	12 awards \$3,850	Less than 1% awards Less than 1%
1-2	CARES Act automated awards with data quality issues— randomly selected 3 awards with payment errors and 15 awards with unclear compliance	765 awards \$268,700	18 awards \$5,675	2.4% awards 2.1%
1-3	CARES Act application awards without data quality issues— randomly selected 3 awards from spring 2020 and 1 award from summer 2020 terms	590 awards \$295,000	4 awards \$2,000	0.7% awards 0.7%
1-4	CARES Act application awards with data quality issues— selected the 5 awards for distance learners (potential payment error) and 24 awards with unclear compliance	666 awards \$332,331	29 awards \$13,831	4.4% awards 4.2%
2-5	CRRSA Act automated awards without data quality issues— randomly selected 8 awards of varying award amounts from spring 2021 and 4 awards from fall 2021 terms	12,850 awards \$11,269,750	12 awards \$15,000	0.1% awards 0.1%

³³ As used in this table, awards “without data quality issues” means that data on the University’s electronic spreadsheets indicated compliance with applicable award criteria. Awards “with data quality issues” means that the spreadsheet data indicated a payment error (student eligibility or award amount) or had other issues, such as missing data, that made compliance unclear.

Group Stratum	Description ³³	Universe Award Count and Dollar Amount	Sample Award Count and Dollar Amount	Sample Coverage Award Count and Dollar Amount (Percent by Stratum)
2-6	CRRSAA automated awards with data quality issues—randomly selected awards with unclear compliance	348 awards \$319,156	16 awards \$14,156	4.6% awards 4.4%
2-7	CRRSAA application awards without data quality issues—randomly selected 4 awards from each school term (spring and summer 2021)	184 awards \$90,750	8 awards \$4,000	4.3% awards 4.4%
2-8	CRRSAA application awards with data quality issues—selected all awards	8 awards \$4,000	8 awards \$4,000	100% awards 100%
3-9	ARP automated awards without data quality issues—randomly selected 10 awards from each school term (spring and summer 2021) and 4 awards from fall 2021 term	6,850 awards \$13,465,162	24 awards \$37,892	0.4% awards 0.3%
3-10	ARP automated awards with data quality issues—randomly selected awards with unclear compliance	1,510 awards \$2,470,394	12 awards \$24,000	0.8% awards 1.0%
3-11	ARP application awards without data quality issues—randomly selected 3 awards from each school term (fall 2020 and spring, summer, and fall 2021)	2,800 awards \$2,691,613	12 awards \$11,291	0.4% awards 0.4%
—	Total	56,079 awards \$42,074,481	155 awards \$135,695	0.3% awards 0.3%

For the 155 emergency financial aid grants selected, we reviewed student enrollment and financial information in the University's student information system to confirm that students met eligibility requirements and were awarded the correct amount. Where applicable, we confirmed that the students were enrolled during the award term and their enrollment status (at least half time or part time) and that they met Title IV

eligibility requirements (including their EFC). We also confirmed students' enrollment in distance education programs and Pell Grant awards, as well as the posting of awards to student accounts and methods used to disburse grant funds to students. We limited our review to student eligibility and correct award amount. We did not perform work to determine how students spent their grant funds or whether the students used the funds for intended purposes.

Institutional Expenditure Selection and Testing

During our audit period, the University used HEERF Institutional grant funds to reimburse itself for 48,612 transactions totaling \$67.8 million—1,015 transactions related to lost revenue (\$45.4 million) and 47,597 transactions related to the remaining expenditures (\$22.4 million). We used a combination of 100-percent review, stratified random, and judgmental sampling to select transactions to review. We developed 11 strata and either reviewed all of the expenditures (for 2 strata), used random sampling, or used a risk-based approach to judgmentally select transactions from each stratum (for 9 strata).

To develop the strata, we analyzed the universe of expenditures from the University's quarterly Institutional expenditure reports and the supporting expenditure data and created five unique groups based on the reports' major expenditure categories. Within each group, we identified subcategories of expenditures based on the University's method for determining the expenditure or the type of expenditure, where applicable. Based on this analysis, we created a stratum for each unique subcategory that applied. This resulted in a total of 11 strata from which we performed 100-percent review for 2 of the lost revenue strata, randomly selected 58 transactions, and judgmentally selected 60 transactions from the remaining 9 strata, as summarized in Table 7. Because there is no assurance that the transactions tested were representative of the universe of transactions (except where 100-percent review was performed), the results could not be projected to the untested transactions.

Table 7. Universe and Sample of Institutional Expenditures, as of September 30, 2021

Group Stratum	Category of Expenditure	Universe Transaction Count and Dollar Amount	Sample Transaction Count and Dollar Amount	Sample Coverage Transaction Count and Dollar Amount (Percent by Stratum)	Selection Method
1-1	Lost Revenue from Academic and Auxiliary Services Sources—Period-over-Period Variance	358 transactions \$43,720,062	358 transactions \$43,720,062	100% transactions 100%	Not applicable—reviewed all transactions
1-2	Lost Revenue from Auxiliary Services Sources—Waived Parking Fees	9 transactions \$1,561,418	9 transactions \$1,561,418	100% transactions 100%	Not applicable—reviewed all transactions
1-3	Lost Revenue from Academic Sources—Canceled Lessons and Performances	648 transactions \$141,975	5 transactions \$3,089	Less than 1% transactions 2%	Selected the highest transaction, and randomly selected 4 transactions (3 Lessons and 1 Performance)
2-4	Student Refunds—Housing	4,152 students \$5,330,571	25 students \$37,770	1% students 1%	Selected 22 students with varying housing arrangements from different colleges, and randomly selected 3 students
2-5	Student Refunds—Both Campus Life and General Fees	21,396 students \$4,124,978	17 students \$2,659	Less than 1% students Less than 1%	Randomly selected 17 students, at least 2 students from each campus
2-6	Student Refunds—General Fees Only	19,004 students \$1,627,675	13 students \$1,040	Less than 1% students Less than 1%	Randomly selected 13 students, at least 2 students from each campus

Group Stratum	Category of Expenditure	Universe Transaction Count and Dollar Amount	Sample Transaction Count and Dollar Amount	Sample Coverage Transaction Count and Dollar Amount (Percent by Stratum)	Selection Method
3-7	Operational Costs—Canceled Study Abroad	229 transactions \$680,432	2 transactions \$50,552	1% transactions 7%	Selected the highest transaction, and randomly selected 1 transaction
3-8	Operational Costs—Campus Safety and Telework Capability	1,886 transactions \$5,561,436	23 transactions \$2,028,520	1% transactions 36%	Selected the 4 highest transactions, a transaction from each of the 10 highest paid vendors, and 4 transactions from expenditure types not yet selected; and randomly selected 5 transactions, at least 2 transactions for each expenditure type ³⁴
4-9	Scholarships—Nonresident Surcharge Fees	495 students \$3,894,341	25 students \$159,896	5% students 4%	Selected 14 students from different programs with varying scholarship amounts, and randomly selected 11 students
4-10	Scholarships—Co-operative Education Fee	416 students \$200,204	6 students \$3,434	1% students 2%	Selected 2 students with varying scholarship amounts, and randomly selected 4 students

³⁴ The University's Institutional expenditure data included the following types of expenditures:

(1) coronavirus testing and contract tracing, (2) personal protective equipment, (3) disinfecting, (4) housing for students in isolation and quarantine, (5) meals for students in isolation and quarantine, (6) improving telework capabilities, (7) facilitating distance learning, and (8) other services, equipment, and supplies to prevent the spread of coronavirus.

Group Stratum	Category of Expenditure	Universe Transaction Count and Dollar Amount	Sample Transaction Count and Dollar Amount	Sample Coverage Transaction Count and Dollar Amount (Percent by Stratum)	Selection Method
5-11	Salaries and Benefits	19 transactions \$992,942	2 transactions \$90,089	11% transactions 9%	Randomly selected 1 Salary and 1 Benefits transaction ³⁵
–	Total	48,612 transactions \$67,836,034	485 transactions \$47,658,529	1% transactions 70%	–

For the lost revenue transactions for which we performed 100-percent review (Group-Strata 1-1 and 1-2), we reviewed the University's lost revenue calculations by comparing the revenue results to the general ledger accounting records. We determined whether the revenue sources used were appropriate and analyzed revenue trends to assess the reasonableness of the revenue amounts.

For the other 118 transactions that we selected (Group-Strata 1-3 through 5-11), we reviewed supporting documentation such as invoices, authorizations, and justifications to determine whether the expenditures were allowable and used for purposes intended under the CARES Act, CRRSAA, and ARP. Specifically, we reviewed each expenditure to determine whether it was valid, authorized, allowable, allocable, and reasonable under the CARES Act, CRRSAA, and ARP and in accordance with Uniform Guidance at 2 C.F.R. part 200 and applicable Department guidance (HEERF FAQs).

Use of Computer-Processed Data

We relied, in part, on computer-processed data from the University's student information and accounting systems. We used information in its student information system on enrollment, attendance, ledger activity (account balances), and other data necessary to confirm a student's eligibility to receive an emergency financial aid grant and that the student received the correct award amount. To assess the reliability of the data in the accounting system, we compared HEERF fund deposit and disbursement

³⁵ Randomly selected 1 Salary and 1 Benefits transaction and tested 15 employees from each transaction—5 highest paid employees, 5 highest paid hourly employees, 1 highest paid part-time employee, and 4 randomly selected employees.

information recorded in the accounting system to the Department's G5 system, the University's bank statements, and vendor invoices. We did not identify any issues and concluded that the data in the University's student information and accounting systems were sufficiently reliable for the purposes of our audit.

Additionally, we relied on computer-processed data from the University's electronic spreadsheets documenting its use of HEERF funds. We used the data to select a sample of emergency financial aid grant awards and a sample of Institutional expenditures for testing. We used data on the number and amounts of emergency financial aid awards and Institutional expenditures to determine whether the University included complete and accurate information in its quarterly Student Aid and Institutional and annual performance reports. We also used data on cash receipts and disbursements to determine whether the University minimized the time between drawing down and disbursing HEERF funds.

To assess the reliability of the data, we compared student, expenditure, and cash flow data to information in the University's student information and accounting systems, vendor invoices, bank statements, and quarterly Student Aid and Institutional reports. The information reconciled and we concluded that the data in the University's electronic spreadsheets were generally reliable for purposes of our audit. We identified one exception pertaining to the data quality issues we identified in the spreadsheets listing the emergency financial aid grants awarded to students, as described in the Sampling Methodology section above. To mitigate the risk of payment errors stemming from systemic processing issues or ineffective internal controls that otherwise might not be detected, we significantly expanded our sample to include awards with data quality issues.

Internal Controls

We considered only limited aspects of internal controls over compliance with the applicable Federal requirements to be significant within the context of the audit objective. Therefore, our assessment of the design of internal controls was limited to gaining an understanding of the University of Cincinnati's processes (including controls) within the context of the individual transactions selected for testing and determining the underlying cause for identified findings and other matters.

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 findings and conclusions based on our audit objective.

We performed our audit work remotely from November 2021 through August 2022. We discussed the results of our audit with University of Cincinnati officials on August 24, 2022, and provided them with a draft of this report on November 17, 2022.

Appendix B. Acronyms and Abbreviations

ALN	Assistance Listing Number
ARP	American Rescue Plan
C.F.R.	Code of Federal Regulations
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CRRSAA	Coronavirus Response and Relief Supplemental Appropriations Act
Department	U.S. Department of Education
EFC	Expected Family Contribution
FAFSA	Free Application for Federal Student Aid
FAQ	Frequently Asked Questions
GAO	Government Accountability Office
HEA	Higher Education Act of 1965
HEERF	Higher Education Emergency Relief Fund
OIG	Office of Inspector General
Pell	Federal Pell Grant
SAT	Simplified Acquisition Threshold
TIP	Temporary Investment Pool
Title IV	Title IV of the Higher Education Act of 1965
Uniform Guidance	Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
University	University of Cincinnati

University of Cincinnati Comments



Senior Vice President of
Administration & Finance
630 University Pavilion
2618 University Circle
(513) 556-5220
patrick.kowalski@uc.edu

December 2, 2022

Daniel P. Schultz
Director of Pandemic Relief Audits
Office of Inspector General
US Department of Education

Dear Mr. Schultz:

In response to your letter dated November 17, 2022, below are the university's responses to the draft audit report, "University of Cincinnati's Use of Higher Education Emergency Relief Fund Student Aid and Institutional Grants," Control Number ED-OIG/A20US0045.

Finding 1. University of Cincinnati Generally Used Student Aid Grant Funds for Allowable and Intended Purposes but Needs to Strengthen its Review and Documentation Processes

- 1.1 Require the University of Cincinnati to develop and implement a review process to prevent or detect payment errors when awarding emergency financial aid grants to students, including written policies and procedures detailing how the reviews shall be conducted and the results documented, in accordance with 2 C.F.R. section 200.303.

Response:

Agree. The University will strengthen its review process to include written policies and procedures in accordance with 2 C.F.R. section 200.303 to prevent payment errors when awarding future emergency financial aid grants to students.

- 1.2 Require the University of Cincinnati to develop and implement written policies, procedures, and management review to ensure that its award determinations, eligibility criteria, and management decisions related to eligibility for its emergency financial aid grants to students are adequately documented and supported at the time award decisions are made, in accordance with 2 C.F.R. section 200.302(b)(3).

Response:

Agree. The University will develop written policies and procedures to determine awarding eligibility criteria and management decisions and ensure grants to students are adequately documented and supported at the time award decisions are made in accordance with 2 C.F.R. section 200.302(b)(3) when awarding future emergency financial aid grants to students.

- 1.3 Require the University of Cincinnati to carefully document how its student aid eligibility criteria prioritized and continues to prioritize students with exceptional need throughout the HEERF grant performance period.

Response:

Agree. The University will document how its student aid eligibility criteria prioritizes students with exceptional need throughout the HEERF grant performance period when awarding future emergency financial aid grants to students.

An affirmative action/equal opportunity institution

Finding 2. University of Cincinnati Generally Used Institutional Grant Funds for Allowable and Intended Purposes but Needs to Strengthen Certain Processes to Ensure Compliance with Grant Requirements

- 2.1 Require the University of Cincinnati to develop and implement written policies and procedures, including procedures that would identify and prevent improper revenue recognition and duplicate charges, to ensure that future calculations for charging lost revenue to its HEERF Institutional grant are reviewed for accuracy and consistency with its financial reporting policies and procedures.

Response:

Agree. The University will develop and implement written policies and procedures, including procedures that identify and prevent improper revenue recognition and duplicate charges when identifying future lost revenue to be charged to future HEERF grants.

- 2.2 Determine whether the University of Cincinnati implemented appropriate corrective actions to resolve the \$797,965 in unsupported lost revenue costs it charged to its HEERF Institutional grant; and, if the corrective actions are inappropriate, require the University to either return the funds to the Department or reallocate the funds for allowable expenditures.

Response:

Agree. The university believes that appropriate corrective action was taken. Once this error was found, the university posted an entry on June 24, 2022, to remove this amount from the HEERF grant. The document number is 104613851. The university repurposed these funds to cover allowable expenses for June 2022.

- 2.3 Determine whether the \$1,916,041 that the University of Cincinnati charged to its HEERF Institutional grant for noncompetitive procurements was reasonable when compared to the costs of suitable alternatives; and, if the charges were inappropriate, require the University to either return the funds to the Department or reallocate the funds for allowable expenditures.

Response:

Agree. The university believes that based on the following information, the United States Department of Education, Office of Inspector General, will find the procurements were reasonable when compared to the costs of suitable alternatives.

The State of Ohio's governor declared a State of emergency regarding the coronavirus on March 9, 2020. In response to that declaration, the Department of Administrative Services (DAS) suspended purchasing and contracting requirements in accordance with Ohio Revised Code §125.061 for the procurement of resources and supplies necessary to protect the health, safety, and welfare of Ohioans and resolve the COVID-19 emergency ("COVID-19 Purchasing Suspension"). The University of Cincinnati authorized and followed expedited acquisition processes needed to act quickly during the coronavirus pandemic emergency to put life-safety measures in place. At times the acquisitions were made under very intense pressure and approvals were blanket or verbal. The University's Purchasing Department is compliance focused and cost-conscious while continuing to attain diverse supplier participation. As time went on, the university participated in creating contracts for use by all State of Ohio universities and compared our pricing and services to the group's outcome; staying with our contracted vendor because the costs were less.

- 2.4 Require the University of Cincinnati to develop and implement written policies and procedures to ensure that procurements charged to its HEERF Institutional grant are in accordance with applicable Federal requirements; and it consistently follows its procurement policies and procedures, including maintaining sufficient documentation to support its rationale for noncompetitive procurements and the basis for and reasonableness of the contract price.

Response:

Agree. Certain purchases of expenditures were originally recorded on non-grant departmental funds and were subsequently moved the HEERF grant after the expenses were determined to be allowable for HEERF use. The University's Purchasing Department has since instituted a review all purchases that have the possibility of being moved to HEERF to ensure compliance.

Finding 3. University of Cincinnati Did Not Fully Comply with Federal Cash Management Requirements.

- 3.1 Require the University of Cincinnati to incorporate in its policies and procedures and implement the cash management requirements for minimizing the time between drawing down and disbursing Federal grant funds, and remitting interest earned in excess of \$500 in accordance with 2 C.F.R. section 200.305(b).

Response:

Agree. The university's policy is to draw down funds for reimbursement of expenditures and not to receive funds in advance. With regard to HEERF funds, the university believed the protocol was to draw the funds down when available.

- 3.2 Require the University of Cincinnati to remit \$35,439 based on the TIP's average rate of return, less no more than \$320 (\$500 minus the \$180 already retained) for administrative expenses if applicable; and remit the actual amount of earned interest on any future advances of Federal funds, in accordance with 2 C.F.R. section 200.305(b)(9).

Response:

Disagree. Although the university did not have the funds in a unique bank account, funds were invested in a secure money market fund, which was not earning the long-term rate the \$35,439 calculation is based on.

Finding 4. University of Cincinnati's HEERF Quarterly Reporting was not always accurate and publicly available.

- 4.1 Require the University of Cincinnati to develop and implement written policies and procedures that incorporate the HEERF program's reporting requirements and ensure that the expenditures in its quarterly HEERF Institutional expenditure reports are accurate and reported in the appropriate expenditure category.

Response:

Agree.

Sincerely,



Patrick A. Kowalski
SVP Administration & Finance; CFO