

Higher Education  
Emergency Relief Fund II and III

Audit Report # 22-104  
May 29, 2023



The University of Texas at El Paso  
**Office of Auditing and Consulting**

“Committed to Service, Independence and Quality”



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May 29, 2023

Dr. Heather Wilson  
President, The University of Texas at El Paso  
Administration Building, Suite 500  
El Paso, Texas 79968

Dear Dr. Wilson:

The Office of Auditing and Consulting

Services has completed a limited-scope audit of *Higher Education Emergency Relief Funds II and III*. During the audit, we noted that the University generally complies with guidance provided by the Department of Education and identified opportunities for improvement and offered the corresponding recommendations in the audit report. The recommendations are intended to assist the department in strengthening controls and help ensure that the University's mission, goals, and objectives are achieved.

We appreciate the cooperation and assistance provided by the Division of Business Affairs, Contracts and Grant Accounting, and the Financial Aid Office staff during our audit.

Sincerely,

A handwritten signature in blue ink that reads 'Lori Wertz'. The signature is written in a cursive, flowing style.

Lori Wertz  
Chief Audit Executive

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## EXECUTIVE SUMMARY

### Background

The University received approximately \$128 million from the U.S. Department of Education as part of the *Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)* and *American Rescue Plan Act (ARP)*, also known as Higher Education Emergency Relief Fund (HEERF II and III). This consisted of approximately \$77 million of Institutional funds and \$51 million of Student Aid funds.

### Audit Objectives

The objective of this audit is to determine if expenditures from HEERF II & III funds complied with guidance provided by the U.S. Department of Education.

### Scope

The audit scope will be limited to transactions using funding from HEERF II & III from the period January 1, 2021 through August 31, 2022.

### Strengths

The Division of Business Affairs (VPBA) strategically managed HEERF II & III funds by objective. A separate project account was created for each initiative which allowed for easier tracking and monitoring of funds. As new guidelines were published, UTEP allocated resources to meet the specific requirements from the U.S. Department of Education.

### Summary of Audit Results

Issue	Risk Ranking
1. Federal work studies funded from federal funds	Medium
2. Lack of supporting documentation for gift cards purchase	Medium
3. Discrepancy between lost revenue calculation and funds transferred	Medium
4. Unallowable source of lost revenue was reimbursed	Medium

### Conclusion

Overall, based on the audit results, we conclude that expenditures from HEERF II & III complied with guidance provided by the U.S. Department of Education. During the audit, we offered recommendations to the Budget Office to strengthen the documentation of UTEP's calculation and decisions made.

## BACKGROUND

The University received approximately \$128 million from the U.S. Department of Education as part of the *Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)* and *American Rescue Plan Act (ARP)*, also known as *Higher Education Emergency Relief Fund (HEERF) II and III*:

	Student Aid Portion	Institutional Portion	Minority Serving Institution Portion	Total Allocation
<b>CRRSAA-HEERF II</b>	\$12,413,800	\$31,355,337	\$2,748,783	\$46,517,920
<b>ARP- HEERF III</b>	\$38,726,218	\$38,046,138	\$4,659,926	\$81,432,282
<b>Total UTEP Allocation</b>				<b>\$127,950,202</b>

The objective of these funds was to:

- cover costs associated with coronavirus,
- carry out student support activities authorized by the Higher Education Act, and
- make additional financial grants to students.

In contrast with HEERF I, HEERF II and III allowed for additional expenses and had special requirements that include:

- student, faculty, and staff salaries,
- recovery of lost revenue,
- funds to implement evidence-based practices to monitor and suppress coronavirus, and
- funds to be allocated to conduct direct outreach to financial aid applicants about opportunities for additional financial aid.

The University utilized these funds for purposes such as distributing additional emergency financial aid grants, heating, ventilation, and air conditioning (HVAC) renovations, student reengagement activities, mental health programs, and recovery of lost revenue.

The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and *Generally Accepted Government Auditing Standards*.

## AUDIT RESULTS

### A. Allowability of expenditures for Institutional HEERF Funds

<b>1. Federal work studies funded from federal funds.</b>
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<b>Medium Risk</b>
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HEERF Institutional funds were used to pay for the school portion of federal work study (FWS) wages. Per the Fiscal Year 2022-2023 Federal Student Aid Handbook, schools must provide at least 25 percent of a student's total FWS wages from nonfederal sources. A total of \$3,060 was spent on unallowable expenses.

The fund type was not reviewed to ensure federal funds were not used to cover federal work studies appointments. The University uses a unique expense code to identify work study wages. Only three out of 216 employees paid with HEERF were classified with the FWS code.

Management provided sufficient documentation to verify unallowable expenses were transferred to a nonfederal funding source during fieldwork.

#### **Recommendation:**

*The funding source for federal work study (FWS) wages should be reviewed to ensure no federal funds are used.*

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#### **Management Response:**

*We concur with the recommendation. The offices of Contracts & Grants Accounting and Financial Aid will work to ensure that all work study student appointments and funding changes are reviewed and monitored to ensure compliance with federal work study guidelines.*

#### **Responsible Party:**

*Heidi Granger, Director of Financial Aid  
Guadalupe Gomez, Director for Contracts & Grants Accounting*

#### **Implementation Date:**

*December 31, 2023*

**2. Lack of supporting documentation for gift cards purchase**

**Medium Risk**

Adequate support documentation to track the purchase of 2,055 gift cards costing \$87,994 was not available as required by UTEP Entertainment Expense Policy. The UTEP Food Pantry office did not have a process to track gift cards until Spring 2022.

The lack of records did not allow management to accurately verify the gift cards were distributed as intended and to reconcile to the gift cards on hand. As a cash-equivalent instrument, gift cards create a risk of being easily misappropriated if business processes and controls are not established.

**Recommendation:**

*Keep a log of cash awards and gift card/gift certificate awards, which includes the awardee's name, explanation of award, and the voucher number as required in the UTEP Entertainment Expense Policy.*

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**Management Response:**

Response #1:

*After a thorough review of documents and a conversation with the former responsible party of the grocery cards (Matt Crouse), we are confident that 2,055 cards (at a cost of \$87,944) purchased in 2021 have been distributed to students. The distribution was conducted through multiple Food Basket Drives and Student Emergency Fund requests (via individual Graduate Case Manager appointments) at the Dean of Students Office. Sufficient documentation was not kept due to limited staffing and the need to distribute the first batch of cards within a limited time frame at the height of the pandemic. Lists were maintained that show individual students (with ID numbers) as confirmed recipients of the grocery cards. Unfortunately, they did not include a signature of receipt. As of Summer 2022, all cards are being individually scanned and connected to individual recipients with student ID numbers. We are also requiring recipients and staff to include a physical signature on a spreadsheet acknowledging the number and value of cards being distributed. These steps are made to maintain accurate inventory and security measures with the transactions. These records are securely maintained on a departmental share drive as well as through physical copies in the Dean of Students' Office.*

Response #2:

*We concur with the recommendation. The offices of Contracts and Grants Accounting in collaboration with the Purchasing office will work to establish a process to monitor the purchasing of gift cards and work with Principal Investigators to ensure compliance with the University and Federal Government policies.*

**Responsible Party:**

Response #1:

*Jaime Mendez, Assistant Dean of Students  
Catie McCorry Andalis, Associate VP and Dean of Students*

Response #2:

*Guadalupe Gomez, Director for Contracts & Grants Accounting*

**Implementation Date:**

Response #1:

*May 30, 2023*

Response #2:

*December 31, 2023*

## B. Lost Revenue

### 3. Discrepancy between lost revenue calculation and funds transferred.

**Medium Risk**

Discrepancies were noted between the lost revenue calculation and the funds transferred for three departments:

Department	Discrepancy amount
Ground Leases	\$10,391
Ticket Center	\$5,332
Dinner Theater	\$229

Per Department of Education lost revenue guidelines, an institution must adequately document its estimate of lost revenue. Lost revenue costs of \$15,952 were not supported by the documentation on record.

Corrections were made and verified during fieldwork.

### 4. Unallowable source of lost revenue was reimbursed.

**Medium Risk**

Fundraising lost revenue of \$100,000 was reimbursed to the Athletics department. Sources of lost revenue that are not reimbursable under the HEERF grant programs include contributions and donations to the institution.

Due to the unique nature of the Athletics department operations, the lost revenue was calculated by the department head. While it was reviewed by the Assistant Vice-President of Budget, their highly variable activities and revenue stream created a higher risk on ensuring compliance with HEERF guidelines. Fundraising lost revenue cost would be considered unallowable by external agencies and impact the University's ability to receive federal funding.

Corrections were made and verified during fieldwork.

## RANKING CRITERIA

<b>Priority</b>	An issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.
<b>High</b>	A finding identified by internal audit considered to have a medium to high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level.
<b>Medium</b>	A finding identified by internal audit considered to have a low to medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.
<b>Low</b>	A finding identified by internal audit considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.

## **Report Distribution:**

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### **University of Texas System (UT System):**

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### **Audit Committee Members:**

Mr. Steve DeGroat  
Mr. Fernando Ortega  
Dr. John Wiebe  
Mr. Daniel Garcia

### **Auditors Assigned to the Audit:**

Narahay Buendia, Senior Auditor II

## APPENDIX A: SAMPLES

Allowability of expenditures for Institutional HEERF Funds:

	<b># Population</b>	<b>\$ Population</b>	<b># Sample</b>	<b>\$Sample</b>
<b>Voucher</b>	1,094	\$8,173,941	10	\$61,984
<b>Reimbursements</b>	8	\$536	2	\$207
<b>Journals</b>	77*	\$274,091	7	\$121,687
<b>Payroll</b>	227 employees	\$1,900,895	15	\$201,787

\*Some journals were excluded from the population as they were tested under specific procedures such as lost revenue and HEERF III special requirements.