



U.S. Department of Education  
Office of Inspector General

# Risk of Closed Institutions of Higher Education Receiving Higher Education Emergency Relief Fund Grants

May 13, 2021  
ED-OIG/I21SIU00841

*ED OIG Oversight of Coronavirus Response Funds*



## **NOTICE**

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

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

Investigation Services

May 14, 2021

**TO:** Michelle Asha Cooper  
Acting Assistant Secretary for Postsecondary Education and Deputy Assistant Secretary for  
Higher Education Programs

**FROM:** Aaron R. Jordan  
Assistant Inspector General for Investigations

**SUBJECT:** Final Flash Report, "Risk of Closed Institutions of Higher Education Receiving Higher Education  
Emergency Relief Fund Grants," Control Number ED-OIG/I21SIU00841

Attached is our final flash report bringing to your attention time-sensitive issues discovered during the course of ongoing investigative activities. This report incorporates the comments you provided in response to the draft report.

We appreciate your cooperation during this review. If you have any questions, please contact Special Agent in Charge Geoff Wood at (215) 656-8693 or [Geoffrey.wood@ed.gov](mailto:Geoffrey.wood@ed.gov).

Attachment

## Purpose

The purpose of this report is to share with the U.S. Department of Education (Department) observations made by the Office of Inspector General (OIG) concerning institutions of higher education (IHE) that ceased to provide educational instruction in all programs of study (closed) and received or had access to coronavirus response and relief aid through the Higher Education Emergency Relief Fund (HEERF). This report includes suggestions to enhance the Department's ability to protect these funds from fraud, waste, and abuse.

## What We Did

We determined that at least \$1,261,329 in HEERF grants were awarded to and drawn down by closed IHEs. We conducted this analysis in response to information we learned during outreach with the Department and complaints the OIG received. We did not assess whether the Department's HEERF grant administration procedures were in compliance with applicable Federal laws or regulations.

## Background

HEERF provides more than \$76.2 billion to the Department to help IHEs meet their needs and the needs of their students impacted by the coronavirus pandemic. Funding for the HEERF was authorized by three laws: \$13.9 billion through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (Public Law 116-136) signed into law on March 27, 2020; \$22.7 billion through the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (Public Law 116-260) signed into law on December 27, 2020; and \$39.6 billion through the American Rescue Plan Act of 2021 (Public Law 117-2) signed into law on March 11, 2021. The Department's Office of Postsecondary Education (OPE) is responsible for administering the HEERF grants.

The OIG, as the independent oversight arm of the Department, is working to ensure that education-related coronavirus response funds are used as required and reach the intended recipients. During our work, we received multiple allegations of closed IHEs receiving or having access to the HEERF grants' student (assistance listing number 84.425E) and institutional (assistance listing number 84.425F) portions. While no fraudulent activity came to our attention, we identified specific observations requiring the Department's immediate action.

## What We Found

We found that 17 IHEs that closed on or before December 31, 2020, applied for and were awarded a total of \$4,912,675 of HEERF grants by OPE. Of these 17 IHEs, 14 drew down HEERF funds and 3 did not draw down any of their awards. Of the 14 IHEs that

drew down their HEERF awards, 8 made drawdowns after the IHE closure date listed in the Postsecondary Education Participants System (PEPS). The total of these post-closure drawdowns was \$1,261,329. In addition, 1 of the 14 closed IHEs that drew down funds made a draw of \$364,715 one day before closing.<sup>1</sup>

Table 1 shows the 11 HEERF awards made to 8 IHEs that drew down funds after their closure date listed in PEPS. The table also shows drawdown totals, grant application dates, and PEPS closure dates. Of note, four of these IHEs (IHE # 1, 4, 5, and 6, noted with an asterisk on their grant application date) submitted the grant application after they closed. Further, two of the IHEs (IHE # 1 and 4, noted with a double asterisk on their closed date) closed before the CARES Act became law on March 27, 2020.

**Table 1. HEERF Awards and Drawdowns at Closed IHEs**

Award Type/IHE	Award Amount	Total Net Draws as of December 31, 2020	Total Net Draws on or After Closed Date (PEPS)	Grant Application Date (G5)	Closed Date (PEPS)
Student/ IHE #1	\$43,551	\$43,551	\$43,551	5/14/2020*	3/23/2020**
Institution/ IHE #1	\$43,551	\$43,551	\$43,551	5/1/2020*	3/23/2020**
Institution/ IHE #2	\$472,192	\$128,911	\$128,911	4/21/2020	9/13/2020
Institution/ IHE #3	\$786,136	\$786,136	\$22,264	4/24/2020	7/11/2020
Student/ IHE #4	\$134,549	\$134,549	\$134,549	4/23/2020*	3/19/2020**
Student/ IHE #5	\$338,828	\$338,828	\$338,828	5/6/2020	7/1/2020
Institution/ IHE #5	\$333,328	\$333,328	\$333,328	7/23/2020*	7/1/2020
Student/ IHE #6	\$81,173	\$81,173	\$81,173	5/22/2020*	5/9/2020

<sup>1</sup> This drawdown was on a HEERF Fund for the Improvement of Postsecondary Education grant (assistance listing number 84.425N).

Award Type/IHE	Award Amount	Total Net Draws as of December 31, 2020	Total Net Draws on or After Closed Date (PEPS)	Grant Application Date (G5)	Closed Date (PEPS)
Student/ IHE #7	\$58,955	\$58,955	\$58,955	6/18/2020	6/30/2020
Institution/ IHE #7	\$58,955	\$58,955	\$58,955	6/26/2020	6/30/2020
Institution/ IHE #8	\$17,264	\$17,264	\$17,264	7/8/2020	9/30/2020
-	-	<b>\$2,025,201</b>	<b>\$1,261,329</b>	-	-

Neither the CARES Act nor any subsequent legislation authorizing HEERF grants expressly prohibit closed IHEs from being eligible for HEERF grants. However, Section 18004(c) of the CARES Act states that IHEs receiving HEERF grants may use the funds received to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. The section provides several examples of allowable uses of the student portion of HEERF for expenses related to the disruption of campus operations due to coronavirus, including food, housing, course materials, technology, health care, and childcare. Further, the Department’s “Frequently Asked Questions about the Institutional Portion of the Higher Education Emergency Relief Fund under Section 18004(a)(1) and 18004(c) of the CARES Act” provides examples of how IHEs can use the funds, including purchasing equipment or software, paying for online licensing fees, or paying for internet service to enable students to transition to distance learning. Both sets of examples appear to have been written with the expectation that the funds would be used to help students continue in their programs of study and allow IHEs to adapt to providing continued instruction during the pandemic.

## What We Suggest

We suggest that the Assistant Secretary for Postsecondary Education—

1. Review HEERF grants already made to verify that IHEs that were allocated, awarded, or drew down funds were not closed. If awards were made to closed IHEs,
  - a. determine whether those IHEs were eligible for the HEERF grants;
  - b. recover any funds received by ineligible, closed IHEs; and

- c. ensure closed IHEs used HEERF grant funds in accordance with the uses outlined in their Funding Certification and Agreement.
2. Establish processes to ensure OPE and other Department components effectively communicate, coordinate, and share information to help identify and mitigate risks involving closed schools or schools at risk of closing that receive HEERF grants.
3. Consider developing and providing guidance to IHEs that close or are closing regarding use or return of HEERF funds.

### **Office of Postsecondary Education Comments**

OPE agreed with each of the suggestions. Although the report did not require a formal corrective action plan, OPE noted actions it has taken or will take in response.

OPE stated that the OIG's outreach efforts may have missed critical input from knowledgeable officials of OPE staff and other Departmental offices. OPE added that citing concerns and risks expressed by Departmental staff who may not have full awareness of the process for making awards does not present a complete picture of the Department's grantmaking process for the HEERF funds. OPE also stated that it would appreciate further conversations to address the concerns mentioned in the interviews that the OIG conducted for this report.

### **OIG Response**

OPE's planned corrective actions, if properly implemented, are responsive to our suggestions.

We planned and performed procedures in response to concerns and risks that were both expressed by Departmental staff during our outreach and identified in complaints that we received. These procedures included analyzing data from Department systems to identify IHEs that were awarded student and institutional HEERF grants and closed on or before December 31, 2020. The conclusions and suggestions presented in this report are based on the information that we obtained and reviewed. Before issuing the draft report, we shared our preliminary and draft results with officials in OPE's Higher Education Emergency Response Unit, who agreed with our results and did not bring additional information to our attention. We welcome any opportunity to further communicate on potential risks associated with HEERF grants.

We did not make any substantive changes to the report because of OPE's comments. The full text of OPE's response is included at the end of this report.

## Techniques and Methods

We initiated this work based on several referrals of possible fraudulent activity, but none were substantiated. However, we identified specific observations requiring the Department's immediate action. We conducted outreach and interviews with Federal Student Aid (FSA) and Department officials to gather information and analysis of Department systems. We conducted our work in compliance with OIG and Council of the Inspectors General for Integrity and Efficiency's standards.

### Outreach

In November and December of 2020, the OIG's Special Investigation Unit conducted outreach with FSA and Office of the General Counsel officials. The officials expressed concerns about IHEs obtaining HEERF grants after closing. This included a heightened risk that closed schools may use HEERF funds for purposes other than those outlined in their Funding Certification and Agreement. The officials indicated that Department components were not effectively coordinating to share relevant information that could mitigate risks involving HEERF grants. Additionally, FSA indicated that when terminating an IHE's access to Title IV<sup>2</sup> funding, FSA was not responsible for terminating the IHE's access to HEERF grants. FSA and the Office of the General Counsel referred several matters to us involving IHEs that drew down HEERF grants just before or after closing. We noted that in November or December 2020, OPE had begun to communicate with FSA's Partner Eligibility and Oversight Services Directorate regarding closed IHEs that were awarded HEERF grants.

### Complaint

In December 2020, we began evaluating a complaint the OIG's Hotline received alleging a proprietary IHE received the student portion of CARES Act HEERF grants but then immediately closed in October 2020 without notifying the students or providing them with any of the grant funds.

We determined OPE allocated a total of \$53,972 in HEERF grants to the IHE in April 2020, which then applied for the grants and signed the required Funding Certification and Agreement on June 17, 2020. We contacted officials at OPE, who confirmed that the IHE was awarded student and institutional HEERF grants on July 24, 2020, and that the full balance of \$53,972 was still available for drawdown. OPE advised it was unaware the IHE had closed. Using information that we provided, OPE

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<sup>2</sup> Title IV of the Higher Education Act of 1965, as amended (Title IV), authorizes various programs that provide financial aid, typically in the form of grants or loans, to eligible students attending eligible IHEs.

subsequently initiated a stop payment on the funds awarded to the IHE, preventing the closed IHE from drawing down the funds.

### **Data Analytics**

We compared data in PEPS with the G5 grant management system to identify IHEs that were awarded student and institutional HEERF grants and that closed on or before December 31, 2020. We did not apply any additional procedures to validate the reliability of the data.

### **Compliance with Standards**

We prepared this flash report in alignment with OIG’s quality control standards and the Council of the Inspectors General for Integrity and Efficiency’s “Quality Standards for Federal Offices of Inspector General,” which require that we conduct our work with integrity, objectivity, and independence. We believe that the information obtained provides a reasonable basis for the conclusions and suggestions contained in this report.

# OPE Comments



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF POSTSECONDARY EDUCATION

**MEMORANDUM**

**DATE:** April 30, 2021

**TO:** Aaron R. Jordan  
Assistant Inspector General for Investigations

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

**SUBJECT:** Comments on Draft Flash Report, “Risk of Closed Institutions of Higher Education Receiving Higher Education Emergency Relief Grants,”  
Control Number ED-OIG/121SIU00841

Thank you for providing us the opportunity to comment on the draft investigation report. We appreciate the work that went into drafting this report, the sharing of observations for the Department’s immediate attention for possible action, and the opportunity to review and comment on the draft report.

We have reviewed the draft report, “Risk of Closed Institutions of Higher Education Receiving Higher Education Emergency Relief Grants,” Control Number ED-OIG/121SIU00841, and are providing comments to the report through this memorandum. As requested, we are sending a copy of this memo, as a PDF file to Geoff Wood, Special Agent in Charge ([Geoffrey.Wood@ed.gov](mailto:Geoffrey.Wood@ed.gov)) and Special Agent Natalie Forbort ([Natalie.Forbort@ed.gov](mailto:Natalie.Forbort@ed.gov)), Special Investigations Unit. We are also including an electronic copy in a Microsoft Word file to meet accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended.

In the report you indicate that the investigation was based in part on observations made by the Office of Inspector General (OIG) concerning institutions of higher education (IHEs) that ceased to provide educational instruction in all programs of study (closed) and received or had access to coronavirus response and relief aid through the Higher Education Emergency Relief Fund (HEERF). While the report does not require a formal corrective action plan, we will address the suggestions included in the report.

We provide our specific comments on the draft report as follows:

- General comments based on the information provided in the report;
- Response regarding the closed schools highlighted in the report; and
- Responses to address the suggestions included in this report.

**General Comments:**

First, we were glad to read that referrals to your office of possible fraudulent activity did not appear to be substantiated, and while the Office of Postsecondary Education (OPE), who oversees the administration of the HEERF funding was not aware of such referrals, we appreciate OIGs investigation into those referrals.

The draft report in its “Outreach” section notes that “in November and December of 2020, the OIG’s Special Investigation Unit conducted outreach with Federal Student Aid (FSA) and Office of the General Counsel officials. The officials expressed concerns about IHEs obtaining HEERF grants after closing.” With respect to this outreach with staff from FSA and other Department officials to gather information and analysis of the Department systems, it was unclear why the OIG did not follow up with OPE staff responsible for the administration of the HEERF program.

Furthermore, it is not clear who these officials were, whether they are still with the Department, whether this was merely an offhand comment or expressed during a formal interview conducted by OIG, and what level of knowledge they had about the Department’s systems. OIG efforts to gain insight and information on the award process and Department systems may have missed critical input from knowledgeable officials of OPE staff and other Departmental offices that played critical and continuing roles in the development and disbursement of the allocation table and obligations for HEERF funds and had the most knowledge about the systems.

Therefore, citing concerns and risks expressed by Departmental staff who may not have full awareness of the process for making awards does not present a complete picture of the Department’s grantmaking process for the HEERF funds. Additionally, those responsible for administering the HEERF awards were not aware of any of the comments made by the officials that were interviewed and did not have a chance to respond to them with more complete information. Given the recent transition in staff and Administration, we would appreciate further conversations to address the concerns mentioned in the interviews that the OIG conducted for this report.

**Response to Findings:**

**Finding:** OIG found that 17 IHEs that closed on or before December 31, 2020, applied for and were awarded a total of \$4,912,675 of HEERF grants by OPE. Of these 17 IHEs, 14 drew down HEERF funds and 3 did not draw down any of their awards. Of the 14 IHEs that drew down their HEERF awards, 8 made drawdowns after the IHE closure date listed in the Postsecondary Education Participants System (PEPS). The total of these post-closure drawdowns was \$1,261,329. In addition, 1 of the 14 closed IHEs that drew down funds made a draw of \$364,715 one day before closing.

**Response:** The Department has only recently received information from the OIG about the IHEs in question and will review thoroughly each of the highlighted institutions and the factual situations involved to determine what action took place and whether improper or any fraudulent activity occurred, and take corrective action if appropriate. As noted in the report, a drawdown of funds after closure does not necessarily mean that there was improper activity or fraud, especially if the funds were used to make financial grants to students, or where appropriate, reimbursements to the institution based on costs resulting from the pandemic and allowable under the CARES Act or CRRSAA, respectively.

**Suggestion One:** Review HEERF grants already made to verify that IHEs that were allocated, awarded, or drew down funds were not closed. If awards were made to closed IHEs,

- a. Determine whether those IHEs were eligible for the HEERF grants;
- b. Recover any funds received by ineligible, closed IHEs; and
- c. Ensure closed IHEs used HEERF grant funds in accordance with the uses outlined in their Funding Certification and Agreement.

**Response:** We agree and appreciate the suggestion and we have already established further quality control check points to further ensure that only eligible IHEs are awarded funds. The following outlines pre and post strategies that OPE will implement to mitigate risk when distributing the American Rescue Plan (ARP) Funding.

1. When developing the ARP allocation table, staff will use the most up to date Postsecondary Education Participants System (PEPS) data available, as of the allocation processing date to determine the number of eligible IHEs and the amount allocated to each IHE. Any schools designated as closed schools and ineligible will be excluded from the allocation table. If the Department receives any indicators that additional schools have closed since the eligibility report date, those institutions will be placed on "stop pay" status until the program office can resolve their eligibility.
2. Once the allocation table is published and before obligating awards, OPE staff will review the updated closed school list. If there is a school that appears on the closed list and is included on the allocation table, the award will not be processed.
3. OPE staff will continue to obligate funds to IHEs that appear on the allocation table and are eligible at the time of award.
4. Through the continuous communication strategy that OPE has established with FSA closed schools subject matter experts, OPE will receive a closed school list weekly. The OPE staff will review the list against the HEERF obligations list and the allocation table. If the award has not been obligated, it will not be processed. If the award has been processed, the award will be placed on route pay. When an award is placed on route pay the IHE will not have access to funds and will have to request approval from the ED contact person listed on the Grant Award Notice for any outlays.
5. OPE staff in consultation with the program attorneys will determine the allowability of any approvals of drawdowns for closed schools.
6. Where appropriate, OPE staff will work with program attorneys to determine whether any funds may need to be recovered.

While the above list summarizes some of the steps that OPE staff has taken and will take in making awards under ARP, OPE staff will implement these strategies using a continuous improvement model that will evaluate the steps and make changes as needed to improve the process.

**Suggestion Two:** Establish processes to ensure OPE and other Department components effectively communicate, coordinate, and share information to help identify and mitigate risks involving closed schools or schools at risk of closing that receive HEERF grants.

**Response:** We agree with and appreciate the suggestion and have already established communication with the appropriate Department staff to share information in a timely manner. Specifically, and as discussed in part above, OPE has engaged the assistance from staff within FSA to provide a timely report on institutions FSA believes have or soon will close.

**Suggestion Three:** Consider developing and providing guidance to IHEs that close or are closing regarding use or return of HEERF funds.

**Response:** We agree with and appreciate the suggestion and will continue to provide technical assistance and guidance to all HEERF grantees to ensure compliance with use of funds. The Department continues to update and develop Frequently Asked Questions to support grantees.

The Department will continue to evaluate current processes and where necessary make improvements to help decrease risk for improper activities and potential fraud. To enhance our administration of HEERF grants, we created a unit specifically dedicated to administering and monitoring HEERF grants, and while we are still in the hiring phase for the unit, a Director was hired to manage this unit, and the work has already been enhanced.

Thank you for the opportunity to respond to the draft audit report. If you have questions about any of our comments, please contact Karen.Epps@ed.gov, Director for the Emergency Response Unit.

Sincerely,

/s/

Michelle Asha Cooper, Ph.D.  
Acting Assistant Secretary for  
Postsecondary Education

cc: Geoff Wood, Special Agent in Charge, Special Investigations Unit, OIG  
cc: Natalie Forbort, Special Agent, Special Investigations Unit, OIG