

CARES Act – Institutional Expenditures

Audit Report # 21-101
October 21, 2021



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

"Committed to Service, Independence and Quality"



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

500 West University Ave
El Paso, Texas 79968
915-747-5191
WWW.UTEP.EDU

October 21, 2021

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 CARES Act- Institutional Expenditures. During the audit, we identified opportunities for improvement and offered the corresponding recommendations in the audit report. Business Affairs worked with Contracts & Grants and departments across the University to ensure federal funds were used to help the UTEP community to overcome the challenges posed by the global pandemic. 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 Business Affairs and Contracts & Grant Accounting staff during our audit.

Sincerely,

A handwritten signature in blue ink that reads 'Lori Wertz'.

Lori Wertz
Chief Audit Executive

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	4
BACKGROUND	5
AUDIT RESULTS.....	6
1. CARES funds were used to pay “late payment fees”	6
2. CARES expenditure reports were not posted timely	7
RANKING CRITERIA	9

EXECUTIVE SUMMARY

Background

The University received a total of \$24,827,599 from the U.S. Department of Education as part of the *CARES Act Higher Education Emergency Relief Fund* Section 18004(a)(1). From this amount, 50% (\$12,413,799) was designated for institutional expenditures.

Audit Objectives

The objective of this audit was to determine if the University is in compliance with the rules and regulations for the Institutional Portion of the *Higher Education Emergency Relief Fund* under Section 18004(a)(1), 18004(a)(2), and 18004(c) of the *CARES Act*.

Scope

The audit scope will be limited to expenditures made by UTEP using funding from the institutional portion of the *CARES Act-Higher Education Emergency Relief Fund*.

Strengths

Business Affairs strategically managed CARES funds by objective. Project managers were assigned a budget for their projects such as providing additional grants to students, engagement activities, internship programs, COVID-19 testing, and vaccination sites on campus. Contracts & Grants Accounting kept accurate records and controls in place in processing expenditures.

Summary of Audit Results

Issue	Risk Ranking
1. CARES funds were used to pay "late payment fees"	Medium
2. CARES expenditure reports were not posted timely	Medium

Conclusion

Overall, based on the results of audit procedures performed, we conclude that the University is generally in compliance with the rules and regulations for the institutional portion of the *Higher Education Emergency Relief Fund* under Section 18004(a)(1), 18004(a)(2), and 18004(c) of the *CARES Act*.

BACKGROUND

The University received a total of \$24,827,599 from the U.S. Department of Education as part of the *CARES Act Higher Education Emergency Relief Fund Section 18004(a)(1)*. From this amount, 50% (\$12,413,799) was designated for institutional expenditures.

The objective of these funds was to cover any costs related to significant changes to the delivery of instruction due to the COVID-19 pandemic. The University utilized these funds for purposes such as distributing additional emergency financial aid grants, housing, parking and meal plan reimbursement to students, and covering the cost of providing additional technology hardware to students. These funds were also used to provide cleaning supplies and sanitizers, acrylic shields and a campus proactive testing program for students, faculty and staff coming to campus. A portion of this amount was also allocated to the costs associated with instructional design and course development to transition to online and hybrid course formats.

Additionally, The University was allocated \$1,783,906 as a Minority Serving Institution as part of Section 18004(a)(2) of the *CARES Act*.

	Amount Allocated
Section 18004(a)(1): Institutional	\$12,413,799
Section 18004(a)(1): Student	\$12,413,800
Section 18004(a)(2): Institutional (for Minority Serving Institutions)	\$ 1,783,906
HEERF I Total	\$26,611,505

Total Institutional funds awarded were \$14,197,705.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the authoritative guidelines of the *International Professional Practice Framework* issued by the Institute of Internal Auditors.

AUDIT RESULTS

A. Allowability of expenditures

1. CARES funds were used to pay “late payment fees”	Medium Risk
------------------------------------------------------------	--------------------

CARES Institutional funds were used to pay for \$549.04 of "late payment fees" assessed by the vendor. From a sample of 20 vouchers, four were found to include these unallowable expenditures. Late payment fees is an administrative expense and has no relation to significant changes to the delivery of instruction due to the Coronavirus. In addition, the payment terms agreed to in these invoices did not comply with state purchasing policy. These payments were processed via non-PO vouchers with the use of Authorization for Personal Services (APS) forms, which are not subject to the regular internal controls embedded in the PO process. CARES funds were not used for their intended purpose of helping the University overcome challenges posed by the global pandemic. In addition, these costs could also be questioned by external agencies.

Recommendation:

Transfer out the unallowable expenditures, late payment fees, to an allowable funding source. Additionally, consider using the regular purchasing process instead of APS forms when the expenditures relate to CARES Institutional funds in order to track expenditures more easily.

Management took corrective action before the end of the audit. We confirmed the expenses were transferred to an allowable funding source. Consequently, no management response is required.

B. Reporting

2. CARES expenditure reports were not posted timely	Medium Risk
------------------------------------------------------------	--------------------

The CARES expenditure reports for quarters ending 03/31/2021 and 06/30/2021 were posted late to the UTEP website. The Department of Education requires reports to be posted no later than 10 days after the calendar quarter end (January 10, April 10, July 10, October 10). Management was not able to obtain the necessary information for the report on time. Late reporting of financial information could affect UTEP's ability to receive federal funds in the future.

Recommendation:

CARES expenditure reports should be posted timely on UTEP's website.

Management Response:

Quarterly reporting is submitted to HEERFreporting@ed.gov by the respective due dates. We will work with the web team to ensure that reports are posted to <https://www.utep.edu/utepcares/cares-act-compliance/institutional.html> by the respective due dates, including weekends. The report for the quarter ended September 30, 2021 was posted to <https://www.utep.edu/utepcares/cares-act-compliance/institutional.html> on Friday, October 8, 2021.

Responsible Party:

Carlos Martinez, AVP/Comptroller

Implementation Date:

October 8, 2021

C. Other audit testing that resulted in no issues

- CARES Institutional expenses were incurred during the allowable period. There were no expenses incurred before the approved date of March 13, 2020.
- Expenses reported in the quarterly reports to the US Dept. of Education were supported by PeopleSoft records.
- Overall, expenditures from CARES funds were allowable and in alignment with the objective of helping the campus community overcome challenges posed by the Covid-19 pandemic.

RANKING CRITERIA

Priority	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.
High	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.
Medium	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.
Low	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:

University of Texas at El Paso:

Ms. Andrea Cortinas, Vice President and Chief of Staff
Mr. Mark McGurk, Vice President for Business Affairs
Mr. Charlie Martinez, Assistant Vice President Business Affairs- Finance
Ms. Joanne Richardson, Assistant Vice President Business Affairs- Budget
Ms. Guadalupe Gomez, Director- Contracts & Grants
Ms. Mary Solis, Director and Chief Compliance and Ethics Officer

University of Texas System (UT System):

System Audit Office

External:

Governor's Office of Budget, Planning and Policy
Legislative Budget Board
Internal Audit Coordinator, State Auditor's Office

Audit Committee Members:

Mr. Joe Saucedo
Mr. Fernando Ortega
Dr. John Wiebe
Mr. Daniel Garcia

Auditors Assigned to the Audit:

Cecilia A. Estrada