



Higher Education Emergency Relief Fund

Some University Campuses Did Not Maximize Available Federal Pandemic Funds, and They Prioritized Students Differently When Awarding Relief Funds

November 2021

REPORT 2021-611





CALIFORNIA STATE AUDITOR

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November 18, 2021
2021-611

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As authorized by state law, my office conducted a state high-risk audit of the University of California's (UC) and the California State University's (CSU) management of more than \$4.4 billion in federal funding they received through the Higher Education Emergency Relief Fund (HEERF) to respond to the COVID-19 pandemic's effect on campuses and students. The following report details our conclusion that the six UC and CSU campuses we reviewed did not maximize available federal funds, nor did they distribute them to students in a consistent manner.

We found that most campuses did not seek Federal Emergency Management Agency (FEMA) reimbursement for all eligible pandemic-related costs; instead, they used HEERF funds. At four of the six campuses we reviewed—CSU Chico, CSU Long Beach, UC Merced, and UC San Diego—we identified more than \$47 million in actual and planned HEERF expenditures that could be eligible for FEMA reimbursement, which would then leave more HEERF funding available for purposes like replacing lost revenue or granting additional student aid.

We also found wide variation in how campuses distributed student aid from HEERF. Each of the six campuses we reviewed divided students into categories and awarded larger grant amounts to students with certain characteristics, such as students who were also parents. However, the campuses did not consistently prioritize the same characteristics, thereby treating students in similar situations differently. Further, when students applied for additional funds, some campuses denied requests for the same types of expenses that other campuses approved. These inconsistencies meant that students with similar financial needs received varying access to the HEERF funds depending on which campus they attended. Although there was no legal requirement that they do so, if the UC Office of the President and the CSU Chancellor's Office had provided more guidance to campuses about how to distribute HEERF student aid, these inconsistencies may have been prevented.

Respectfully submitted,

A handwritten signature in black ink that reads "Elaine M. Howle". The signature is written in a cursive, flowing style.

ELAINE M. HOWLE, CPA
California State Auditor

Selected Abbreviations Used in This Report

ARP	American Rescue Plan Act
CARES	Coronavirus Aid, Relief, and Economic Security Act
CRRSAA	Coronavirus Response and Relief Supplemental Appropriations Act
EFC	expected family contribution
FAFSA	Free Application for Federal Student Aid
HEERF	Higher Education Emergency Relief Fund

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Summary

Results in Brief

In early 2020, the COVID-19 pandemic caused a global public health crisis. In March 2020, the president of the United States declared the COVID-19 pandemic a national emergency. In response to the pandemic, Congress provided economic assistance to institutions of higher education and their students through three laws enacted between March 2020 and March 2021: the Coronavirus Aid, Relief, and Economic Security Act (CARES); the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA); and the American Rescue Plan Act of 2021 (ARP). These acts allocated more than \$76 billion in total to the Higher Education Emergency Relief Fund (HEERF) to help defray campuses' expenses associated with the pandemic and provide financial aid grants to students, among other uses. The U.S. Department of Education allocated \$4.4 billion of HEERF emergency funding directly to individual University of California (UC) and California State University (CSU) campuses. These acts allocated HEERF funds for general purposes, such as offsetting the financial impact of the pandemic on campuses (institutional aid), providing financial aid to students (student aid grants), and allocating additional funds to those campuses designated as minority-serving institutions (MSI funds).¹ To determine how HEERF funds were being used, we reviewed MSI and institutional aid expenditures and the student aid allocation decisions of six California universities: the University of California campuses at Merced (UC Merced), Riverside (UC Riverside), and San Diego (UC San Diego); and the California State University campuses at Chico (CSU Chico), Long Beach (CSU Long Beach), and Sonoma (CSU Sonoma).

We found that most of the campuses we reviewed did not maximize available federal funds because they used HEERF funds to pay for some costs that could be reimbursed by the Federal Emergency Management Agency (FEMA) instead, thereby reducing the amount of HEERF funds available for other purposes. Campus representatives stated this situation arose because more than one federal funding source was available to pay for costs associated with the pandemic. The March 2020 presidential declaration of a nationwide emergency also authorized FEMA to reimburse campuses for costs associated with responding to the pandemic. Meanwhile, the U.S. Department of Education allocated more than \$434 million in HEERF institutional aid to the six campuses

Audit Highlights...

Our audit of the UC and CSU management of the federal HEERF funds made available due to COVID-19, highlighted the following:

- » *Of the six campuses we reviewed, we found that most did not maximize available federal funds because they used HEERF funds to pay for some costs that could be reimbursed by FEMA instead.*
 - *We identified \$47 million in actual and planned HEERF spending at four campuses that could be reimbursed by FEMA.*
 - *Those HEERF funds could be used by campuses to offset lost revenue or provide additional aid to students.*
- » *Two campuses might have received an estimated \$2.8 million in HEERF funds if they had applied or renewed their application for an MSI designation.*
- » *We found wide variations in how campuses distributed HEERF funds for student aid grants, causing inconsistent treatment of students in similar situations.*
 - *While most campuses used an application process, two campuses we reviewed required students to fill in their requested amounts in predetermined categories while two others asked students to justify their requested amounts.*

¹ For purposes of this report, we define MSIs as the categories of institutions eligible to receive additional HEERF funds, as identified in section 18004(a)(2) of the CARES Act, section 314(a)(2) of CRRSAA, and section 2003 of the ARP.

we reviewed to pay for a variety of purposes, including emergency protective measures. As a result, campuses could pay certain costs by using HEERF funds or could request reimbursement from FEMA. Our review of campus HEERF expenditures identified \$47 million in actual and planned HEERF spending at four of the six campuses—CSU Chico, CSU Long Beach, UC Merced, UC San Diego—that could be submitted to FEMA for reimbursement. Doing so would allow those campuses to use their HEERF funds to defray lost revenue or provide additional aid to students. For example, CSU Long Beach spent \$2.8 million in HEERF aid for expenses, such as establishing a temporary medical tent, conducting COVID-19 testing, and administering vaccines; and the campus has earmarked more than \$2.3 million of its remaining HEERF aid for similar expenses that are potentially reimbursable by FEMA. The four campuses we reviewed that spent funds in this way agreed to consider submitting claims to FEMA for these costs. Campuses may submit claims to FEMA for all eligible expenses incurred from January 20, 2020, through December 31, 2021.

In addition, two campuses—UC Riverside and UC San Diego—might have received an estimated \$2.8 million in HEERF MSI funds had they applied for an MSI designation or renewed their applications for MSI status. To obtain an MSI designation, campuses generally must meet certain requirements, including specific demographic thresholds and enrolling a substantial percentage of students receiving financial assistance. Although UC Riverside first became eligible for MSI status in 2008, in 2020 it failed to file an application to retain its MSI status, which cost it \$2.2 million in CARES and CRRSAA MSI funds. UC Riverside renewed its MSI status for 2021. UC San Diego has met the demographic requirements to be designated as an MSI for the past 10 years; however, it has never pursued the designation, which may have cost it more than \$600,000 in HEERF MSI funds.

We also found wide variations in how campuses distributed HEERF student aid. The U.S. Department of Education allocated almost \$352 million in HEERF funds to the six campuses we reviewed specifically for student aid grants. Campuses generally distributed these grants using two methods: an application process through which students could request HEERF funds for specific pandemic-caused needs (application grants) and grants made automatically to students with certain characteristics (automatic grants). However, the campuses' implementation of these two methodologies differed, and this affected the amount of aid that students in similar situations attending different campuses received. For example, four of the six campuses—all three CSU campuses and UC San Diego—used an application process to distribute a portion of their CARES grants. For the application grants, CSU Chico and UC San Diego only required students to fill in their requested amounts

in predetermined categories, such as housing and technology. In contrast, CSU Long Beach and CSU Sonoma asked students to write descriptions justifying their requested amounts and then reviewed the descriptions to determine whether the expenses were allowable. Although they requested similar information, reviewers at CSU Long Beach were directed to determine whether students' requests were emergency expenses associated with changes to the delivery of instruction, whereas CSU Sonoma determined whether costs fell within allowable categories and assumed that if a student submitted an application, the student was experiencing financial hardship because of the pandemic. These inconsistencies in the way campuses evaluated applications resulted in students who described similar financial needs receiving funds at some campuses and being denied funds at others.

We also observed inconsistencies in how campuses distributed automatic grants. Each of the six campuses we reviewed divided students into categories and awarded larger grant amounts to students with certain characteristics. However, the campuses did not prioritize students in similar situations in the same manner. For example, UC Riverside prioritized students with children, but some other campuses did not. UC Merced also prioritized students who were foster youth, but none of the other five campuses we reviewed did so. These differences in how campuses allocated and awarded automatic grants resulted in inconsistent treatment of students in similar situations at different campuses. Although they were not specifically required to do so, had the University of California Office of the President (UCOP) and the California State University Chancellor's Office (Chancellor's Office) provided more detailed guidance on how campuses should distribute the automatic grants and application grants, the campuses might have prioritized students in similar situations more consistently.

Summary of Recommendations

CSU Chico, CSU Long Beach, UC Merced, UC San Diego

To maximize HEERF funds, CSU Chico, CSU Long Beach, UC Merced, and UC San Diego should review expenses they incurred in response to the pandemic since January 2020 and submit all eligible expenses to FEMA for reimbursement. These campuses should reallocate any HEERF funds initially spent for these expenses to other purposes, such as providing additional student aid.

UC San Diego

To ensure that UC San Diego can provide additional educational opportunities and expand the campus's capacity to serve its minority students, it should apply for MSI status during the next available application cycle.

CSU Chancellor's Office and UCOP

In the event of a future emergency federal student aid program that lacks detailed criteria regarding how funds are to be awarded, such as an allocation of additional pandemic-related funds under current requirements, the CSU Chancellor's Office and UCOP should provide guidance on the priorities and processes for distributing student aid so that their respective campuses can consistently distribute funds to students in similar situations.

Agency Comments

UCOP, UC Merced, UC Riverside, and UC San Diego generally agreed with our report's conclusions and recommendations.

The Chancellor's Office did not provide a perspective regarding the audit report's conclusions and recommendations. The Chancellor's Office stated only that it will continue to review the report's recommendations and will provide status updates in 90 days, but it did not indicate how it intends to address the audit findings and recommendations. CSU Chico, CSU Long Beach, and CSU Sonoma did not provide separate responses to the audit report.

Introduction

Background

Beginning in early 2020, the COVID-19 pandemic caused a global public health crisis, and in March 2020, the president of the United States declared the COVID-19 outbreak a national emergency. The U.S. Centers for Disease Control and Prevention reported that from March through May 2020, a total of 42 states and territories, including California, had issued mandatory stay-at-home orders to help reduce activities associated with the spread of COVID-19. Through a series of laws passed in 2020 and 2021, Congress provided funds to those adversely affected by the pandemic, including institutions of higher education and their students.

The Pandemic's Impact on Students and on the UC and CSU Campuses

The pandemic and campus closures presented economic challenges to some students. In March 2020, in response to the pandemic, University of California (UC) and California State University (CSU) campuses limited on-campus operations, minimized the number of people on campus—including the number of students and university personnel—and began providing academic instruction virtually. However, not all students were equally prepared for remote instruction. In June 2021, the California Student Aid Commission and the California Education Lab at the UC Davis School of Education jointly released the results of a survey of UC, CSU, and community college students who were enrolled in fall 2020 and who had applied for federal and state financial aid. The survey found that 13 percent of the students did not have a computer readily available for online coursework and that 15 percent relied on less reliable forms of Internet access. Further, students in the survey's greatest financial need category were more than twice as likely to lack a readily available computer or high-speed Internet as students in the lowest financial need category. According to the survey, the pandemic also caused significant employment changes for many students; for example, nearly 50 percent of working students in the survey reported working fewer hours.

The pandemic also affected both UC and CSU finances. The six campuses we reviewed reported that they experienced additional costs because of the pandemic as well as reductions in revenue needed to pay those costs. As Table 1 details, the campuses reported a monetary impact of more than \$742 million from the pandemic. However, the six campuses received \$470 million in federal relief funds that they could use to help offset that financial impact. Although campuses reported that they limited on-campus operations during the pandemic, two factors constrained their

ability to reduce their costs. First, requirements for federal aid require campuses to continue to pay their employees and contractors to the greatest extent possible during any disruptions or closures related to the pandemic. Second, campuses continued to operate and maintain certain buildings, including residential buildings used to serve some students. According to the campuses, from April 2020 through June 2021, on average more than 20 percent of students remained in on-campus housing at the six campuses we reviewed, although students were encouraged to leave campus unless they met certain conditions. At UC San Diego, for example, this included being unable to travel home, lacking infrastructure at home to accommodate virtual instruction, and not having secure housing. According to campus representatives, state and local social distancing requirements also reduced the number of students who could live in housing units, increasing the number of units needed to house a given number of students.

Table 1
The UC and CSU Systems Incurred Additional Costs and Lost Revenue Because of the COVID-19 Pandemic
(in Thousands)

CAMPUS	Campuses' additional costs related to COVID-19, March 2020 through March 2021*				LOST REVENUE, MARCH 2020 THROUGH JUNE 2021	CAMPUS-REPORTED MONETARY IMPACT OF COVID-19
	EMERGENCY MEDICAL SERVICES <i>(protective equipment, testing, and supplies)</i>	FACILITY AND CLEANING COSTS	ONLINE COURSES, COORDINATION, CONSULTING, AND OTHER COSTS	TOTAL ADDITIONAL EXPENSES		
CSU Chico	\$157	\$487	\$3,140	\$3,784	\$28,288	\$32,072
CSU Long Beach [†]	5,810	104	12,154	18,068	62,180	80,248
CSU Sonoma	141	80	778	999	62,080	63,079
UC Merced	74	1,265	1,451	2,790	80,226	83,016
UC Riverside	2,179	1,452	5,402	9,033	133,466	142,499
UC San Diego [‡]	27,314	8,746	32,212	68,272	273,024	341,296
Totals	\$35,675	\$12,134	\$55,137	\$102,946	\$639,264	\$742,210

Source: CSU COVID cumulative cost reports, UC COVID-19 impact reports, and CSU campuses' lost revenue analyses.

* The CSU campuses provided their additional costs related to COVID-19 for the period of March 2020 through March 2021. To provide comparable information, we limited the UC campuses' cost information to match that provided by the CSU campuses.

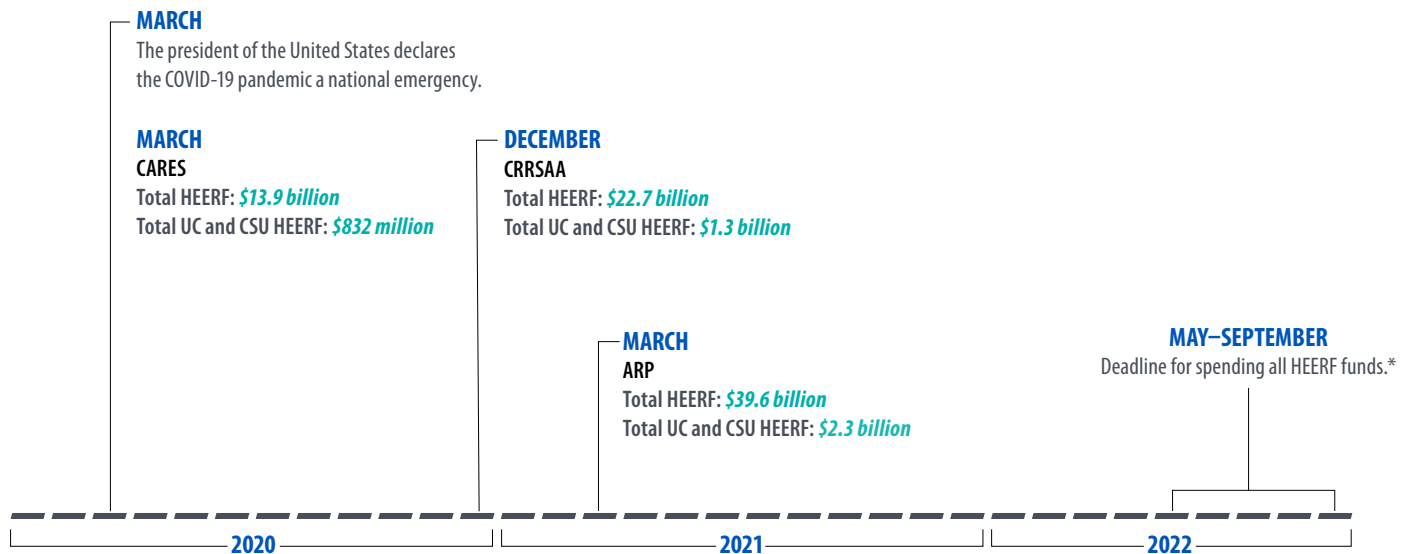
[†] According to CSU Long Beach, its lost revenue analysis did not include lost revenue from its auxiliary units, such as its student union.

[‡] Does not include UC San Diego Medical Center.

Federal Assistance to Colleges and Universities

To alleviate the economic effects of the pandemic, Congress provided economic assistance to institutions of higher education and students through three laws enacted between March 2020 and March 2021: the Coronavirus Aid, Relief, and Economic Security Act (CARES); the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA);² and the American Rescue Plan Act of 2021 (ARP), as Figure 1 shows. These acts allocated more than \$76 billion in total to the Higher Education Emergency Relief Fund (HEERF) to help defray campuses' expenses associated with the pandemic and to provide financial aid grants to students, among other uses. The UC and CSU campuses received more than \$4.4 billion, as Table 2 shows.

Figure 1
The Federal Government Allocated Billions of Dollars in HEERF Funding to Institutions of Higher Education



Source: Federal law, U.S. Department of Education allocation documents, campus grant award notifications, and the Government Accountability Office's July 2021 COVID-19 report.

* Campuses generally have one year from the date the U.S. Department of Education processed their most recent allocation of HEERF funds to spend any remaining HEERF money, although they may obtain a one-year extension to this deadline. For the six campuses we reviewed, the deadlines to spend the funds currently range from May 2022 to September 2022 but may be extended an additional year upon request.

² CRRSAA is a division of the Consolidated Appropriations Act, 2021. The U.S. Department of Education's guidance and agreements related to the HEERF program use the term *CRRSAA*, and for consistency we use the same terminology.

Table 2
UC and CSU Campuses Received More Than \$4.4 Billion in HEERF Funds
(in Millions)

	INSTITUTIONAL AID	MSI FUNDS	STUDENT AID	TOTAL
CARES	\$393	\$46	\$393	\$832
CRRSAA*	852	64	393	1,309
ARP	1,090	114	1,094	2,298
Totals	\$2,335	\$224	\$1,880	\$4,439

Source: Federal law and U.S. Department of Education allocation documents.

* One UC campus received a \$3 million CRRSAA grant under a funding category not included in this table.

These acts directed the U.S. Department of Education to allocate these funds to each campus primarily based on the number of federal Pell Grant recipients at each campus. Pell Grants are awarded to help financially needy students meet the cost of postsecondary education. Because the number and proportion of Pell Grant recipients at each campus varies, campuses did not receive the same dollar amount per student. These acts allocated HEERF funds for general purposes, including offsetting the financial impact of the pandemic on campuses (institutional aid), providing financial aid to students (student aid grants), and allocating additional funds to those campuses designated as minority-serving institutions (MSI funds).³ The U.S. Department of Education allocated \$2.3 billion in institutional aid and almost \$1.9 billion in student aid grants to the UC and CSU campuses combined.

Key HEERF Student Aid Grant Requirements

CARES

- Grants are for expenses related to the disruption of campus operations due to the coronavirus, such as food, housing, course materials, technology, health care, and child care.

CRRSAA and ARP

- Grants may be used for any component of the student's cost of attendance or for emergency costs that arise due to the coronavirus.
- Institutions of higher education shall prioritize grants to students with exceptional need, such as students who receive Pell Grants.

Source: Federal law.

Requirements for HEERF Student Aid Grants and Institutional Aid

Although the acts established general requirements for the use of HEERF funds, campuses retained significant discretion in the specific use of the funds. The text box describes key federal requirements for HEERF student aid grants. However, the individual HEERF student aid grant agreement that each campus entered into with the U.S. Department of Education gave the campuses discretion in determining the amounts of individual grants; the agreement identified factors to consider

³ For purposes of this report, we define MSIs as the categories of institutions eligible to receive additional HEERF funds, as identified in section 18004(a)(2) of the CARES Act, section 314(a)(2) of CRRSAA, and section 2003 of the ARP.

but did not define how campuses were to award the grants or identify the students who would receive them. These grants were not considered financial aid and did not affect the amount of financial aid students received through the federal student financial aid processes.

Similarly, while the institutional funds could be used only for certain purposes, the campuses had significant discretion in deciding which costs to pay with the funds. The text box shows key federal requirements for HEERF institutional aid and the costs that could be reimbursed, such as providing information technology equipment to students for distance learning. Campuses could also use institutional funds for additional student aid grants. Campuses also entered into individual agreements with the U.S. Department of Education for the institutional funds and generally retained discretion in determining how to allocate the funds for allowable uses, including those described in the text box.

Minority-Serving Institutions

The U.S. Department of Education allocated CARES and CRRSAA MSI funds to campuses designated as MSIs for federal fiscal year 2019–20 and ARP MSI funds to campuses designated as MSIs for federal fiscal year 2020–21. To obtain an MSI designation, campuses generally must meet certain requirements including specific demographic thresholds and enrollment of a substantial percentage of students receiving financial assistance. MSIs also receive funds through programs Congress established to, among other reasons, provide federal assistance to campuses that serve students who have historically been denied access to secondary education because of race or national origin. As shown in the text box on the following page, there are five MSI demographic categories.

In addition to meeting the demographic requirements, a campus must also demonstrate that it meets certain financial requirements. Specifically, a substantial percentage of its students must have received Pell Grants, and its average full-time undergraduate educational and general expenses must be lower than the average of such expenses at institutions that offer similar instruction. The U.S. Department of Education annually identifies whether

Key HEERF Institutional Aid Requirements

CARES

- Funds may be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus, including the following:
 - Reimbursement for refunds made to students for housing, food, or other services that the institution could no longer provide.
 - Laptops, hot spots, and other information technology equipment and software provided to students to participate in distance learning.
 - Additional emergency student aid grants.
- Institutions receiving funds shall, to the greatest extent practicable, continue to pay their employees and contractors during the period of any disruptions or closures related to the coronavirus.
- Funds cannot be used for payment to contractors for providing pre-enrollment recruiting activities; endowments; or capital outlays for facilities related to athletics, sectarian instruction, or religious worship.

CRRSAA and ARP

- Similar requirements as those described above for CARES funds.
- Additional purposes listed in CRRSAA, such as paying for lost revenue associated with room and board or reduced tuition due to lower enrollment.
- Further, remaining CARES funds awarded to institutions may generally be used for the additional purposes listed in CRRSAA.

Source: Federal law, the U.S. Department of Education HEERF guidance, and HEERF institutional fund agreements between campuses and the U.S. Department of Education.

Five Categories of Minority-Serving Institutions

MSI Category*

- Alaska Native and Native Hawaiian-serving institution
- Predominantly Black Institution
- Native American-Serving, Nontribal Institution
- Asian American and Native American Pacific Islander-serving institution
- Hispanic-serving institution

Source: Federal law and a 2017 Congressional Research Service MSI Report.

* Historically Black Colleges and Universities and Tribal Colleges or Universities are also considered MSI categories; however, these schools are identified using other criteria established in federal law. In addition, individually named institutions making substantial contributions to certain graduate education opportunities at the masters level for Black Americans also received HEERF funds.

campuses meet the MSI demographic and financial requirements, and it may waive the financial requirements for campuses that meet the demographic requirements. For example, the U.S. Department of Education may grant a waiver if a campus submitted evidence that its undergraduate core expenses are higher because the campus is located in a locale with a higher-than-average cost of living or that it experienced reduced student enrollment that distorted its average cost per student.

According to the Congressional Research Service, MSIs receive funds from multiple federal agencies, including funds provided through grant programs authorized by the Higher Education Act of 1965. Various competitive grants for MSIs are intended to help improve academic quality, institutional management, and fiscal stability. Many grants

require campuses to submit applications describing their programs and how the programs will serve the intended demographic.

In addition to MSI grant programs, the U.S. Department of Education allocated a total of \$224 million through HEERF in pandemic-related MSI funds to 22 of the 23 CSU campuses and five of the 10 UC campuses under CARES and CRRSAA and to six of the 10 UC campuses under ARP. The U.S. Department of Education allocated amounts to each MSI-designated campus based on its number of Pell Grant recipients and its total student population. Campuses could use these funds to defray expenses such as lost revenue, faculty and staff training, and payroll; and for grants to students for any component of their cost of attendance.

To determine how HEERF funds were used, we reviewed MSI and institutional aid expenditures and the student aid allocation decisions of six California universities: the University of California campuses at Merced (UC Merced), Riverside (UC Riverside), and San Diego (UC San Diego); and the California State University campuses at Chico (CSU Chico), Long Beach (CSU Long Beach), and Sonoma (CSU Sonoma). As Table 3 shows, the six campuses we reviewed received more than \$435 million in HEERF institutional aid, almost \$35 million in MSI funds, and nearly \$352 million in student aid funds.

Table 3
The U.S. Department of Education Allocated More Than \$800 Million in HEERF Funds to the Six UC and CSU Campuses We Reviewed (in Millions)

CAMPUS	INSTITUTIONAL	MSI	STUDENT AID	TOTAL
CSU Chico	\$59.4	\$6.8	\$47.8	\$114.0
CSU Long Beach	126.6	15.3	100.9	242.8
CSU Sonoma	26.2	3.1	21.3	50.6
UC Merced	37.9	4.5	30.7	73.1
UC Riverside*	87.2	5.2	70.5	162.9
UC San Diego	97.9	0.0	80.7	178.6
Totals	\$435.2	\$34.9	\$351.9	\$822.0

Source: Federal law and U.S. Department of Education allocation documents.

* UC Riverside received a \$3 million CRRSAA grant under a funding category that is not included in this table.

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Audit Results

Most UC and CSU Campuses We Reviewed Did Not Maximize Available Federal Funds

During our review of campuses' use of HEERF funds, we found that most of the campuses we reviewed missed opportunities to maximize the federal funds they received for responding to the pandemic. In fact, four of the campuses we reviewed did not seek available Federal Emergency Management Agency (FEMA) reimbursement for eligible pandemic-related costs. Instead of applying to FEMA for reimbursement, they used HEERF funds to pay these costs, which reduced the HEERF funds available for other purposes. During the pandemic, campuses could be reimbursed for costs related to emergency protective measures either by using HEERF funds or by requesting reimbursement from FEMA. The four campuses—CSU Chico, CSU Long Beach, UC Merced, and UC San Diego—used or plan to use \$47 million in HEERF aid for expenses that could be submitted to FEMA for reimbursement.

In addition, two campuses—UC Riverside and UC San Diego—might have received an additional \$2.8 million in HEERF MSI funds had they applied for an MSI designation. Although UC Riverside first became eligible for MSI status in 2008, it failed to file an application to retain its MSI status in 2020, which we estimate cost it \$2.2 million in CARES and CRRSAA MSI funds. UC San Diego would have had to request a waiver from certain financial requirements to be designated as an MSI, but had it obtained the waiver, we estimate it could have received more than \$600,000 in HEERF MSI funds. We brought these missed opportunities related to FEMA and MSI to the attention of the respective campuses, and they indicated they would consider these opportunities.

Some Campuses Used—or Plan to Use—HEERF for Pandemic-Related Costs That May Be Eligible for Reimbursement by FEMA

Although the U.S. Department of Education allocated more than \$435 million in HEERF institutional aid to the six campuses we reviewed, this paid for only a portion of the more than \$742 million in financial impact that the campuses reported from the pandemic. Federal requirements allowed campuses to use HEERF institutional funds for a wide variety of purposes, including paying costs associated with emergency protective measures related to the pandemic—such as the medical and cleaning supplies necessary to detect and prevent COVID-19. However, campuses also had access to other federal funds. The March 2020 presidential declaration of a nationwide emergency authorized FEMA to reimburse campus costs for emergency protective measures taken at the direction

or guidance of public health officials to respond to the pandemic. As a result, campuses could be reimbursed for the costs of those measures—including personal protective equipment, COVID-19 testing and vaccinations, and temporary medical facilities—either by using HEERF funds or by requesting reimbursement from FEMA.

Had campuses obtained FEMA reimbursement for emergency protective measures, they could have used HEERF institutional funds for other pandemic-related expenses, thus maximizing the federal funds they received. However, most of the six campuses we reviewed have not pursued FEMA reimbursement for all eligible expenses. As Table 4 shows, we identified \$47 million in actual and planned HEERF spending at four of the six campuses we reviewed that could be submitted to FEMA.⁴ For example, CSU Long Beach spent \$2.8 million in HEERF funds for expenses such as erecting a temporary medical tent, conducting COVID-19 testing, and administering COVID-19 vaccines. The campus also plans to spend more than \$2.3 million of its remaining HEERF funds to pay for expenses that may qualify for FEMA reimbursement. If CSU Long Beach obtains FEMA reimbursement for these expenses, it could use the HEERF funds for other purposes. For example, this amount is the equivalent of providing an additional \$500 student aid grant to more than 10,000 students.

Table 4
Campuses Spent or Plan to Spend Millions in HEERF Funds That Could Be Submitted for FEMA Reimbursement

CAMPUS	Potential FEMA Reimbursements		
	ACTUAL HEERF SPENDING	PLANNED HEERF SPENDING	TOTAL
CSU Chico	\$164,000	\$925,000	\$1,089,000
CSU Long Beach	2,836,000	2,373,000	5,209,000
UC Merced	113,000	121,000	234,000
UC San Diego	4,359,000	36,318,000	40,677,000
Totals	\$7,472,000	\$39,737,000	\$47,209,000

Source: Campuses' accounting data and HEERF spending plans.

⁴ We did not identify any HEERF institutional funds that UC Riverside or CSU Sonoma had spent as of June 2021 that were used for FEMA eligible expenses. According to its interim associate vice chancellor of Financial Planning and Analysis, UC Riverside intentionally reviewed expenses to ensure that it did not use HEERF funds for expenses that could be reimbursed through FEMA. CSU Sonoma's associate vice president for financial services stated that it also evaluates pandemic-related costs to determine if they meet the FEMA criteria and intends to submit a claim for qualifying expenses.

It should be noted that during the pandemic, FEMA has made multiple changes to its guidance, most of which expanded the eligibility criteria for reimbursable expenses and made it easier for campuses to obtain FEMA reimbursement. The March 2020 presidential emergency declaration allowed FEMA to reimburse state and local governments, which include CSU and UC campuses, for 75 percent of certain pandemic-related expenses. FEMA was initially more restrictive in defining what expenses were eligible. For example, as of the beginning of September 2020, it limited reimbursement for personal protective equipment to health care workers, first responders, and patients with confirmed or suspected COVID-19 infections; or for performing other eligible emergency work. Although campuses may have found pursuing FEMA reimbursement less attractive than using HEERF funds under FEMA's initial restrictions, FEMA has since increased the reimbursement rate to 100 percent and expanded eligible reimbursements to cover items such as personal protective equipment necessary for the safe opening and operation of facilities. In August 2021, the president of the United States also directed FEMA to retroactively apply its expanded eligibility criteria to reimburse eligible expenses incurred from January 20, 2020, through December 31, 2021.

Despite these changes, when we brought the expenses we identified to the campuses' attention, most indicated that they had not submitted the expenses to FEMA for reimbursement because the claims process is burdensome and they did not know whether the expenses were reimbursable. UC San Diego's Campus Budget Office director indicated that FEMA's claims process puts a large administrative burden on campuses to gather all of the required documents, such as invoices and receipts associated with each expense. Further, CSU Chico's associate vice president of financial services stated that the administrative burden of filing FEMA claims is high because it requires detailed and extensive supporting documentation, and is not an efficient manner in which to reimburse the campus.

CSU Chico and CSU Long Beach representatives also indicated that FEMA can take years to resolve claims. CSU Long Beach's chief financial officer of administration and finance particularly questioned the prudence of submitting claims to FEMA when HEERF funds were guaranteed, especially considering FEMA's long time frame for processing claims and the possibility that the claims would be denied. However, the campuses' concerns about long claim processing times are not an indication that costs will not be reimbursed. According to the California Governor's Office of Emergency Services' (Cal OES) branch chief of recovery infrastructure (branch chief), before the pandemic, FEMA typically reviewed and approved claims within three to six months.

FEMA has expanded the eligibility criteria for reimbursable expenses and made it easier for campuses to obtain FEMA reimbursement.

Before COVID-19, he noted that FEMA had never dealt with a pandemic, and the number of state and local agencies affected by the pandemic and the increased volume of claims has increased processing times. He stated that as a result, it currently takes FEMA an average of six to 12 months to review and approve claims. Although these increased processing times require campuses to wait longer for reimbursement, the branch chief stated that the FEMA delays are not an indication that the claims will be denied. Regardless of the amount of time it takes FEMA to process these claims, the millions of dollars the campuses could receive should outweigh their reluctance to engage in this process.

Further, some campuses were concerned about the amount of time it will take to obtain reimbursement because FEMA had not yet approved previous claims. For example, CSU Chico's associate vice president for financial services agreed that the expenses we identified may be eligible for FEMA reimbursement, but CSU Chico had previously submitted two claims to FEMA in 2020 for pandemic expenses and is still waiting for FEMA's decision. Because she is unsure of which expenses FEMA will ultimately reimburse, she has not submitted additional claims. However, CSU Chico reported losing more than \$28 million in revenue because of the pandemic, and we question whether it is financially prudent for it to forgo the opportunity for FEMA reimbursements that would allow it to use its HEERF institutional aid for other purposes, including offsetting lost revenue. After we discussed with the campuses the changes FEMA had made to its eligibility and reimbursement rates, they indicated that they would consider submitting the expenses we identified to FEMA.

Based on the millions of dollars in potential federal reimbursements that may be available, both university systems ought to take additional steps to identify campus expenses eligible for FEMA reimbursement.

Based on the millions of dollars in potential federal reimbursements that may be available, both university systems ought to take additional steps to identify campus expenses eligible for FEMA reimbursement and assist the campuses with submitting claims before the full reimbursement deadline. The \$47 million in potential FEMA-reimbursable costs that we identified were the result of our review of HEERF expenses at only six of the 33 UC and CSU campuses, and there are likely additional pandemic-related expenses at the other UC and CSU campus that are eligible for FEMA reimbursement. Nevertheless, both the University of California Office of the President (UCOP) and the California State University Chancellor's Office (Chancellor's Office) expressed a reluctance to pursue FEMA reimbursement for these costs. During the course of our audit, we recommended to both UCOP and the Chancellor's Office that they review pandemic-related expenditures at all of their respective campuses to identify expenses eligible for FEMA reimbursement. The Chancellor's Office risk management director questioned whether the reimbursement amounts would

outweigh the time and effort required, but he indicated that the office would work with its consultant to ensure that its campuses maximize federal funds.

According to UCOP's systemwide enterprise risk management director, it is not UCOP's role to decide if campuses should submit FEMA claims. She stated that UCOP's role is instead to coordinate between its campuses while still allowing the campuses to maintain their independence and autonomy. In addition, UCOP's director for costing policy and analysis stated that she was concerned that reallocating HEERF funds spent in fiscal year 2019–20 might appear to be imprudent to its auditors and the relevant federal agencies, and would require the approval of the U.S. Department of Education. However, a U.S. Department of Education program analyst stated that reallocating HEERF institutional aid is allowable and has happened in the past.

The millions of dollars in potential FEMA reimbursements that campuses have not claimed suggests that UCOP should take a more proactive role in ensuring that campuses obtain these federal funds and use them to minimize or mitigate rising student costs. For example, in July 2021 the UC Board of Regents approved a tuition increase for all its campuses, and UCOP reported that incoming 2022 freshman and transfer students will pay about \$534 more each year in tuition and fees than current students do. At UC San Diego, the actual and planned HEERF expenditures that appear to be eligible for FEMA reimbursement is over \$40 million. To put the amount of these funds in perspective, we estimate that these funds would be the equivalent of the planned \$534 tuition increase of all four years of education for two classes of 9,000 entering freshmen. Despite the potential benefits of these funds, UC San Diego's pandemic financial impact assessment still indicates as of October 2021 that the campus plans to use HEERF funds for expenses that appear to be FEMA-reimbursable. This hesitance to obtain FEMA reimbursement highlights the need for additional oversight by UCOP.

Some Campuses Did Not Receive Millions of Dollars in Federal Funds Because They Did Not Apply for or Maintain MSI Status

Two campuses—UC Riverside and UC San Diego—might have received an estimated \$2.8 million in HEERF MSI funds had they renewed or applied for an MSI designation. As the Introduction describes, MSI-designated campuses received additional HEERF funds. According to the U.S. Department of Education, all six campuses we reviewed met the MSI demographic requirements for one or more categories in federal fiscal years 2019–20 and

Hesitance to obtain FEMA reimbursement highlights the need for additional oversight by UCOP.

2020–21. Four of the campuses received CARES and CRRSAA MSI funds, and five of the campuses received ARP MSI funds. Although UC Riverside and UC San Diego both met the demographic requirements for Asian American and Native American Pacific Islander-serving institutions and UC Riverside also met the requirements for Hispanic-serving institutions in federal fiscal year 2019–20, both campuses failed to apply for the MSI designation in federal fiscal year 2019–20 and therefore were ineligible to receive CARES and CRRSAA MSI funds. UC San Diego did not apply for the MSI designation in federal fiscal year 2020–21 as well and therefore did not receive ARP MSI funds. As Table 5 shows, we estimate that these campuses could have received a total of almost \$2.8 million in additional HEERF MSI funds had they applied for MSI designations.

Table 5
UC Riverside and UC San Diego Could Have Received an Estimated \$2.8 Million in Additional HEERF MSI Funds

	<i>Estimated Awards Had Campuses Obtained MSI Status</i>		
	UC RIVERSIDE	UC SAN DIEGO	TOTAL
CARES	\$2,457,000	\$137,000	\$2,594,000
CRRSAA	2,713,000	175,000	2,888,000
CRSAA Grant*	(3,012,000)	–	(3,012,000)
ARP	†	305,000	305,000
Totals	\$2,158,000	\$617,000	\$2,775,000

Source: U.S. Department of Education MSI allocation documents and MSI eligibility data.

* UC Riverside received a \$3 million CRRSAA grant for campuses that obtained MSI status after the CRRSAA MSI funds were distributed.

† UC Riverside received \$5.2 million in ARP MSI funds as a result of regaining its MSI status for fiscal year 2020–21.

UC Riverside failed to file an application in 2020 to retain its MSI status, which cost it nearly \$2.2 million in CARES and CRRSAA MSI funds.⁵ According to UC Riverside, it first became eligible for MSI grants in 2008 and for a number of years has met the demographic requirements for both Asian American and Native American Pacific Islander-serving institutions and Hispanic-serving institutions. However, according to UC Riverside's assistant vice chancellor of institutional research (assistant vice chancellor), the campus must submit an application each year to demonstrate that it meets the MSI financial requirements, and UC Riverside failed

⁵ UC Riverside could have received a total of \$5.2 million in CARES and CRRSAA HEERF MSI funds. This amount was partially offset by \$3 million the campus received from a CRRSAA grant specifically for colleges and universities meeting certain criteria—including not receiving CRRSAA MSI funds in fiscal year 2019–20 and subsequently obtaining an MSI designation in fiscal year 2020–21.

to submit that application for federal fiscal year 2019–20, which caused it to lose its MSI designation and its eligibility to receive CARES and CRRSAA MSI funds.

The assistant vice chancellor also stated that he was hired only six months before the MSI application deadline and was not aware that UC Riverside had to submit information each year to maintain its MSI designation. UC Riverside had not fully documented the procedure for maintaining its MSI status and he only realized what had happened when the U.S. Department of Education published the CARES MSI awards in early May 2020. He noted that other staff at UC Riverside were unaware of the MSI process for a number of reasons, in part because responsibility for the application process had moved between different offices over the years. In response to this oversight, the assistant vice chancellor revised the department's operating procedures to include detailed instructions for the MSI application process. He also added the application deadline to the department's calendar to avoid missing it in 2021. In April 2021, UC Riverside applied for a HEERF supplemental assistance grant because it had not received CRRSAA MSI funds. Subsequently, the U.S. Department of Education awarded UC Riverside a \$3 million grant; however, this amount only partially offsets the \$5.2 million of CARES and CRRSAA MSI funds it could have received. UC Riverside did receive an additional \$5.2 million in ARP MSI funds as a result of regaining its MSI status for federal fiscal year 2020–21.

Although UC San Diego has met the demographic requirements to be designated as an MSI for the past 10 years, according to its chief of staff for the Office of the Vice Chancellor for Equity, Diversity, and Inclusion (chief of staff), it has never pursued an MSI designation. This may have cost it more than \$600,000 in HEERF MSI funds. According to U.S. Department of Education data, UC San Diego has met the demographic requirements for Asian American and Native American Pacific Islander-serving institutions since 2010. Although UC San Diego does not meet the financial requirements, federal law allows it to petition the U.S. Department of Education to waive these requirements. UC San Diego stated that it did not request a financial waiver from the U.S. Department of Education, and although we cannot be certain that it would have received the MSI designation, its failure to apply for a waiver *ensured* that it was not eligible to receive CARES, CRRSAA, and ARP MSI funds.

As the Introduction describes, federal agencies award funds to campuses designated as MSIs through competitive grants to help improve academic quality, institutional management, and fiscal stability. According to the chief of staff, UC San Diego has never requested a waiver of the financial requirements because it has

The U.S. Department of Education awarded UC Riverside a \$3 million grant; however, this amount only partially offsets the \$5.2 million of funds it could have received if it had maintained its status as a minority serving institution.

not yet developed a strategy for helping its Asian American and Native Pacific Islander student population. He stated that UC San Diego established a task force in the fall of 2020 to develop recommendations for supporting this population and planned to seek an MSI designation during the federal fiscal year 2022–23 application cycle. UC San Diego could look to other MSIs for examples of how it could use MSI funds in federal fiscal year 2021–22 while it continues to work on a more detailed plan. For example, the University of Nevada, Las Vegas applied for and received funds to provide services including academic tutoring and counseling. San Francisco State University applied for and received funds to provide a number of services, including financial literacy education for more than 2,000 students. After we discussed UC San Diego’s plans to apply for an MSI designation at length, the chief of staff stated that UC San Diego would apply and submit a waiver for the Asian American and Native American Pacific Islander-serving institution designation for federal fiscal year 2021–22.

UCOP could better assist its campuses with obtaining MSI designations for the demographic category requirements they already meet.

UCOP could better assist its campuses with obtaining MSI designations for the demographic category requirements they already meet. For federal fiscal year 2020–21, three of the 10 UC campuses that met the demographic requirements for Asian American and Native American Pacific Islander-serving institutions were not designated as MSIs. In comparison, all of the 23 CSU campuses met the demographic requirements but only one is not designated as an MSI.⁶ In 2018 UC established an initiative to become a Hispanic-serving institution system. This initiative appears to have been effective as U.S. Department of Education information indicates that for federal fiscal year 2020–21 each of the UC campuses meeting the demographic and program requirements for Hispanic-serving institutions were eligible to obtain MSI grants. In addition, since this initiative began, the University of California, Los Angeles (UC Los Angeles) and the University of California, Berkeley (UC Berkeley)—have established goals to become Hispanic-serving institutions by 2025 and 2027, respectively. Similarly, in 2016, UC San Diego started developing plans to become a Hispanic-serving institution, and it expects to meet the demographic requirements within the next three to five years. In the meantime, these campuses are missing the opportunity to receive MSI funds to support their current student populations. If UC San Diego, UC Berkeley, and UC Los Angeles were to apply for MSI status based on the fact that they meet the demographic requirements for Asian American and Native American Pacific Islander-serving institutions, they could determine whether their financial waivers will be granted and begin applying for

⁶ The CSU Maritime Academy was the only CSU not designated as an MSI for federal fiscal year 2020–21. We did not assess the CSU Maritime Academy’s potential HEERF MSI awards because the campus had an enrollment of only 907 students in fall 2020.

MSI grants in the next funding cycle. Based on its success in encouraging campuses to obtain MSI status as Hispanic-serving institutions, UCOP should encourage campuses that already meet the Asian American and Native Pacific Islander-serving institution demographic status to obtain that MSI designation.

Finally, UC Merced's failure to effectively monitor its receipt of HEERF MSI grant awards nearly cost it \$1.3 million. In March 2021, the U.S. Department of Education allocated more than \$1.3 million in CRRSAA MSI funds to UC Merced. However, UC Merced's vice chancellor for student affairs stated that he was not aware of this allocation until we brought it to his attention. Although the U.S. Department of Education emailed the information to UC Merced's Sponsored Projects Office and the vice chancellor of student affairs, both parties missed this notification. Had we not alerted the campus to the existence of these funds, it is not clear whether UC Merced would have identified them before they reverted to the U.S. Department of Education.

UC Merced's failure to effectively monitor its receipt of HEERF MSI grant awards nearly cost it \$1.3 million.

Variations in Campuses' Processes and Priorities for Student Aid Grants Resulted in Inconsistent Treatment of Students in Similar Situations

The U.S. Department of Education allocated almost \$352 million in HEERF student aid funds to the six campuses we reviewed. These campuses generally distributed these grants through two methods: an application process through which students could request HEERF funds for specific pandemic-caused needs (application grants) and grants made automatically to students with certain characteristics (automatic grants). However, there were inconsistencies in the way campuses awarded funds to applicants, and these resulted in students who had described similar financial needs receiving funds at some campuses and being denied funds at others. Inconsistencies also occurred in the distribution of automatic grants. As we describe later in this section, each of the six campuses we reviewed divided students into categories and awarded larger grant amounts to students with certain characteristics. However, the campuses did not prioritize students in similar situations in the same manner. For example, some campuses prioritized students who were foster youth but others did not. There was no legal requirement that campuses distribute funds in the same way; however, additional guidance from the Chancellor's Office and UCOP might well have helped campuses more consistently prioritize students in similar situations for HEERF aid.

Campuses Applied Different Processes and Requirements to Students' Grant Applications

The campuses we reviewed developed different processes for distributing HEERF student aid grants. For CARES Act student aid grants, four of the six campuses we reviewed—all three CSU campuses and UC San Diego—used an application process through which students could request CARES student aid for pandemic-related needs. Each campus made automatic grants to certain students, but the application process allowed students who could not pay for the full amount of their pandemic-related expenses to request additional funds. In addition, the application process provided an opportunity to obtain aid for students whose financial circumstances had changed since they had submitted the information some campuses used to identify automatic grant recipients. However, the application requirements differed significantly from campus to campus. For example, CSU Chico and UC San Diego required only that students indicate their requested amounts in predetermined categories, such as housing and technology. In contrast, CSU Long Beach and CSU Sonoma required that students write a description of their financial hardship or the expenses for which they were requesting funds, and then reviewed the descriptions to determine whether the expenses were allowable.

These differences in the application processes at the CSU campuses meant that students encountered different requirements and an inconsistent approval process when they applied for HEERF grants. Figure 2 shows two applications with similar descriptions of a need for funds that had disparate results. Both students requested funds for tuition and materials for a summer course. However, because CSU Long Beach interpreted the CARES Act requirements differently than did CSU Sonoma and employed a different review process, the student at CSU Long Beach was not awarded funds whereas the CSU Sonoma student's application was approved.

CSU Long Beach and CSU Sonoma also differed in how they took students' financial circumstances into account when approving applications. CSU Long Beach required that a student's requested expenses be associated with significant changes to the delivery of instruction due to the pandemic. Specifically, its application explained that the funds were for emergency expenses and not for emergency situations, such as loss of employment. Reviewers at CSU Long Beach were directed to determine whether the students' requests were emergency expenses associated with changes to the delivery of instruction, and they awarded funds for items such as a new laptop to accommodate online instruction. The CSU Long Beach financial aid director explained that Student B's application, shown in Figure 2, was rejected because the student's request was for expenses normally incurred in taking a summer

CSU Long Beach's application explained that HEERF funds were for emergency expenses and not for emergency situations, such as loss of employment.

Figure 2
Applications for Similar Expenses Were Approved at One Campus but Denied at Another



Source: CSU Sonoma and CSU Long Beach CARES Act applications and accounting records.

course, as opposed to expenses related to the pandemic. However, a U.S. Department of Education program and management analyst told us that if a student was experiencing financial hardship, the U.S. Department of Education considered that student to be eligible for a CARES grant, and a student's course materials were an allowable expense under the CARES Act. The CSU Long Beach financial aid director asserted that he does not believe the information we received from the U.S. Department of Education is consistent with the interpretation of the law and guidance in effect at the time the application was originally reviewed. Regardless, the campuses' different interpretations of the requirements and the inconsistent decisions they made on whether to award funds for the same needs illustrates that more detailed guidance could provide more consistent results.

In contrast to CSU Long Beach's requirements, CSU Sonoma granted funds to students whose emergency financial situation was the basis for their request. In fact, the financial aid director at CSU Sonoma explained that if a student submitted an application, it assumed that the student was experiencing financial hardship because of the pandemic. She confirmed that students' requested expenses had to fall within the allowable categories specified in the CARES Act, such as "course materials" (the category in which the application shown in Figure 2 fell) or "housing," but CSU Sonoma did not require the expenses to be new costs that did not exist prior to the pandemic. Instead, it considered whether the student had the necessary funds to pay the expenses.

CSU Sonoma and CSU Long Beach also used different procedures for reviewing CARES student aid applications. The associate vice president for financial services at CSU Sonoma, who reviewed the applications with the financial aid director's assistance, said the process there generally involved an initial search for key words that aligned with allowable expenses, such as "housing," "course materials," or "child care." He approved applications that contained a key word, and he stated that he read the entire explanation and evaluated each application that did not contain a key word. The CSU Sonoma application in Figure 2, contained the term "course materials" and thus was awarded funds. We reviewed a total of 13 CARES grant applications from CSU Long Beach, including the application shown in Figure 2, and we identified two other denied applications containing key words that likely would have been approved at CSU Sonoma.

Had the CSU Long Beach and CSU Sonoma students whose applications were denied been students at CSU Chico, they would have received their requested funds.

In addition, had CSU Long Beach and CSU Sonoma students whose applications were denied been students at CSU Chico, they would have received their requested funds. In contrast to CSU Sonoma and CSU Long Beach, CSU Chico granted funds to all of its students who submitted applications for CARES grants. Further, although none of these campuses required students to provide supporting documentation of their expenses with their applications, the application process CSU Chico used did not require students to write a justification for their requested funds.

Neither CSU Long Beach nor CSU Sonoma established an appeals process for the applications they denied. Although the CARES Act did not require an appeals process, these campuses did take some steps to communicate with students whose applications were denied. CSU Long Beach's email notification to students that their application had been denied directed them to potential alternative sources of aid. The financial aid director at CSU Sonoma stated that, although she did email some students to request clarification before making a final decision, CSU Sonoma did not have a formal appeals

process because it had exhausted the CARES student aid funds and there was no money left to give to students whose appeals might have succeeded.

Although the campuses had to balance expediently awarding grants with ensuring that the grants were for allowable expenses, additional guidance from the Chancellor's Office on how to implement an application process might have prevented the inconsistent outcomes described above. However, the Chancellor's Office does not believe such guidance was necessary. Its assistant vice chancellor for enrollment management services does not agree that all CSU campuses should have implemented the same application process. She described several reasons, including that each campus has different staff resources and that it would have been difficult for a smaller campus to implement a more labor-intensive approach adopted by a larger campus. She also stated that because the HEERF funds needed to be distributed as quickly as possible, attempting to determine a workable process for all 23 campuses would have taken valuable time and resources that were not available if they were to get the funding to students quickly. However, had the Chancellor's Office created more detailed guidance, it could have reduced the duplication of effort caused by each campus creating its own grant application and approval method. It also could have chosen a process that required fewer staff resources, as some campuses did.

Had the Chancellor's Office created more detailed guidance, it could have reduced the duplication of effort caused by each campus creating its own grant application and approval method.

Campuses Prioritized Students Differently When Awarding Automatic Grants, Causing Inconsistencies in Grant Distribution

The guidance the systemwide offices provided to campuses did not prevent inconsistencies in the campuses' distribution of automatic student aid grants. Campuses generally divided students into categories and awarded larger automatic aid grants to students with certain characteristics. However, significant variation occurred in how students were prioritized among the campuses in each system. Although there was no legal requirement that the systemwide offices develop and recommend models for distributing awards that prioritized students consistently, additional guidance from UCOP and the Chancellor's Office might have reduced the inconsistencies. The limited guidance UCOP and the Chancellor's Office provided did not recommend specifically how to differentiate groups of students for award amounts, and inconsistencies in how campuses awarded grants to students in similar situations affected whether these students received funds and, if they did, which groups received larger amounts.

The campuses differed in how they grouped students by financial need and which groups received larger amounts.

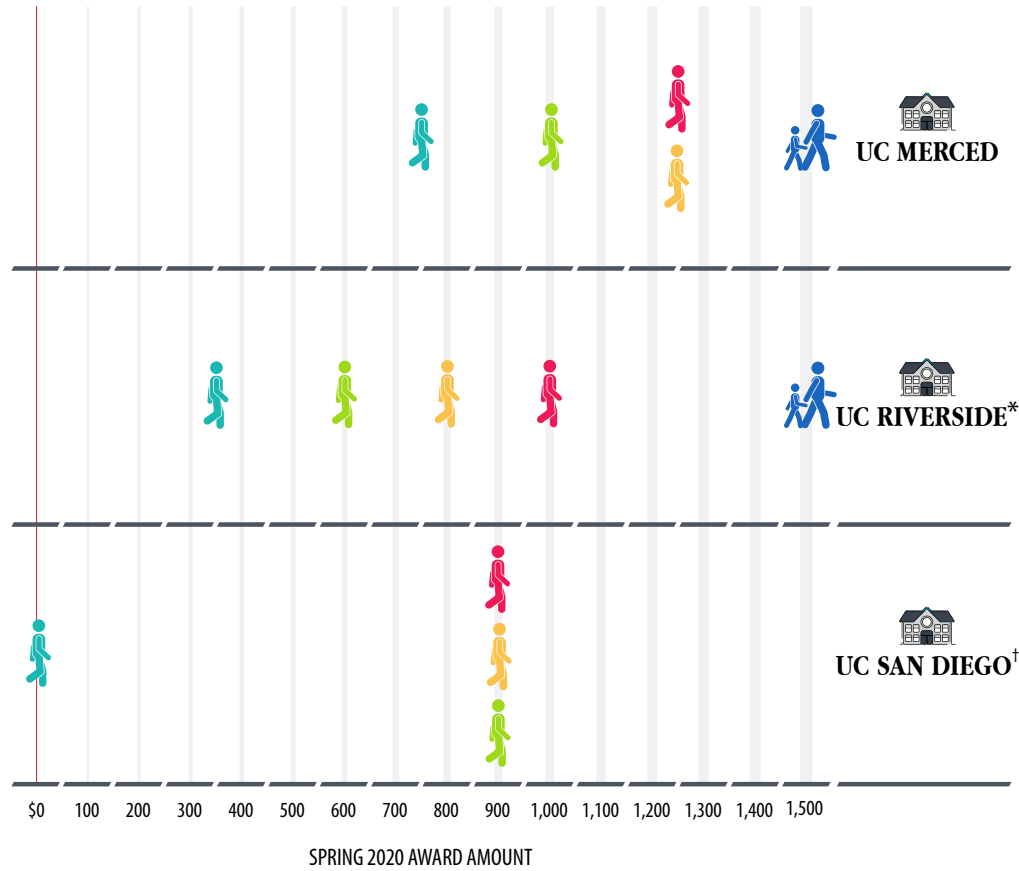
One source of information many campuses used as a measure of a student's likely financial need was the Free Application for Federal Student Aid (FAFSA), which students must file in order to establish eligibility and apply for some types of federal, state, and campus-specific aid—including federal Pell Grants. The FAFSA collects income data from both the student and—if they are a dependent—the student's parents. These data are used to determine a student's expected family contribution (EFC) to the cost of attendance. If a student's EFC is less than the campus's cost of attendance, the difference represents the student's financial need. Because the EFC serves as a measure of a student's financial need, the campuses we reviewed used it to determine students' need for HEERF automatic grants.

The campuses differed in how they grouped students by financial need and which groups received larger amounts. As Figure 3 shows, UC San Diego awarded automatic grants of only one amount. In contrast, UC Riverside awarded multiple levels of grants based on students' EFCs and family circumstances. CSU students with similar financial circumstances were also prioritized differently, as Figure 4 shows. For example, whereas CSU Long Beach gave an automatic grant of some amount to students at each EFC level, CSU Chico and CSU Sonoma both excluded students with higher EFCs. CSU Sonoma also gave grants to students with a \$0 EFC that were significantly larger than those given by CSU Chico and CSU Long Beach to such students.

The UC campuses also differed in how they awarded grants to particularly vulnerable populations, such as student parents. Two of the three UC campuses we reviewed made student parents their highest priority by awarding them the largest grant amounts. Figure 3 shows the effect this had on awards to student parents, with student parents at UC Merced and UC Riverside receiving larger amounts than student parents at UC San Diego, who were not categorized separately from other students. UC Merced also prioritized foster youth for a higher award amount, while UC Riverside and UC San Diego did not.

Those campuses that prioritized vulnerable populations for higher awards generally had strong rationales for doing so. UC Merced's senior associate director of student services explained that foster youth students are usually among those most in need and they tend to have unstable living situations, so UC Merced made them a priority. The financial aid director at UC Riverside explained that he prioritized student parents because of communications from students highlighting the challenges student parents were facing.

Figure 3
UC Students With Similar Financial Circumstances Were Prioritized Differently for Automatic CARES Grants



Undergraduate student Undergraduate students with children or dependents and students at UC Merced who were foster youth	Expected Family Contribution \$0 to \$2,000 \$2,001 to \$5,576
	Grant Eligibility Cal or UC Grant recipient Not grant-eligible
Other All income levels	

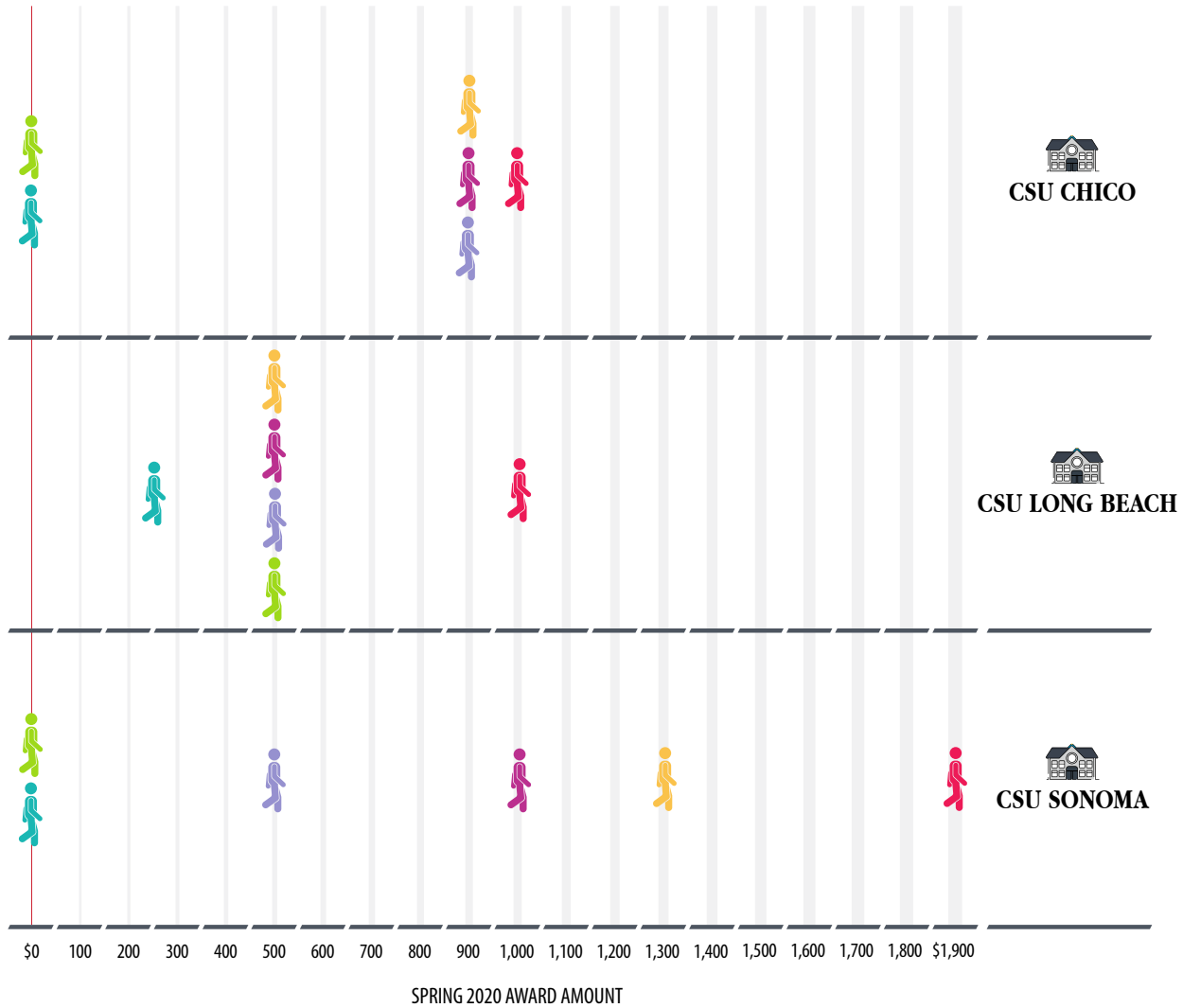
Source: Campus student aid grant data and campus reports on their methodology for distributing CARES student aid grants.

Note: UC Merced and UC Riverside did not distinguish between full-time and part-time students.

* UC Riverside award amounts are for independent students. UC Riverside provided smaller grant amounts to students who were dependents. UC Merced and UC San Diego did not distinguish between independent and dependent students.

† UC San Diego did not prioritize students with children or students who were foster youth as a separate category. All UC San Diego students enrolled in six or more units received awards based on their eligibility for a Pell, Cal, or UC grant.

Figure 4
CSU Students With Similar Financial Circumstances Were Prioritized Differently for Automatic CARES Grants



Expected Family Contribution

- \$0
- \$1 to \$2,000
- \$2,001 to \$4,000
- \$4,001 to \$5,576
- \$5,577 to cost of attendance
- Greater than the cost of attendance

Undergraduate student*

Source: Campus student aid grant data and campus reports on their methodology for distributing CARES student aid grants.

* Grant amounts shown are for full-time students. Each of these campuses awarded different amounts to students based on the number of units in which the student was enrolled, but the number of units at which the award amount changed was different at each campus.

The interim senior associate director of financial aid at UC San Diego explained that although it considered identifying student parents as a separate category, it decided not to do so because there were a small number of student parents among the undergraduate population. Further, he stated that student parents could apply for aid through campus programs designed to help needy students. However, the relative number of students in a high-need category should not have been a barrier to prioritizing those students, especially because awarding grants to a small population would have required fewer of the funds available. In addition, seeking aid from other UC San Diego programs was a more burdensome process for the student.

Although the HEERF laws do not require a uniform method of distributing student aid grants, inconsistent HEERF student aid awards are an issue that has also been raised at the national level. In 2021 the National Association of Student Financial Aid Administrators, in partnership with other organizations, surveyed university administrators regarding the distribution of HEERF student aid grants.⁷ Although university administrators reported that they did not have the time to assess eligible students' circumstances in detail, they reported a near universal concern over distributing the funds equitably.

While there was no requirement in the funding agreements that they do so, UCOP and the Chancellor's Office were in the best position to develop and recommend models for distributing awards that prioritized students consistently throughout their respective systems. Although the U.S. Department of Education contracted directly with the campuses for distribution of HEERF student aid funds, and UCOP and the Chancellor's Office were not parties to the agreements, it is the systemwide offices' role to coordinate activities among their respective campuses, as the text box shows. To fulfill their functions, in fiscal year 2021–22 UCOP and the Chancellor's Office had budgets of nearly \$961 million and \$781 million, respectively.

Although UCOP and the Chancellor's Office both provided some guidelines to the campuses on how to administer the HEERF student aid grants, neither set of guidelines provided a specific process for distributing the grants, thus creating opportunities

UCOP and Chancellor's Office Selected Responsibilities

UCOP

Description of Its Role:

Coordinate activities that allow [the UC] system to operate efficiently as one university.

Chancellor's Office

Responsibilities of Its Student Affairs and Enrollment

Management Function:

Provide leadership, coordination, and technical assistance to the CSU campuses, including coordinating financial aid.

Goals Established in CSU HEERF Guidance

- Achieve a degree of consistency across the shared mission and values of the CSU campuses.
- Provide flexibility to meet the unique circumstances of each campus.

Source: UCOP and the Chancellor's Office websites and the Chancellor's Office CARES program guidelines for student aid.

⁷ See National Association of Student Financial Aid Administrators' report at: https://www.nasfaa.org/uploads/documents/CARES_Evaluation_Report.pdf

The CSU Chancellor's Office Categories of Students for CARES Grants

- Students with the lowest income status who received maximum state and/or federal aid;
- Students with some financial need prior to the COVID-19 pandemic; and
- All other students without regard to prior state and/or federal aid received.

Source: CSU CARES Program Guidelines, April 2020.

for inconsistencies among campuses. For example, while the Chancellor's Office directed campuses to divide students into three categories, as shown in the text box, its guidance allowed campuses to determine the amount of the allocation to be expended for each group and the thresholds to use in differentiating students in the first two groups, which campuses did, as shown in Figure 4. The Chancellor's Office guidelines also left it up to campuses to decide which groups would receive automatic grants, application grants, or both.

UCOP and the Chancellor's Office do not agree that they should have played a role in ensuring consistency in awarding automatic awards to students in their respective systems. When we asked the Chancellor's Office why it did not take additional steps to ensure that students in similar situations had consistent access to the HEERF automatic grants regardless of which campus they attended, the assistant vice chancellor for enrollment management services stated that she did not agree that the CSU campuses should have prioritized students with the same characteristics in the same manner because each campus is unique. She stated that if the campuses had all taken the same approach, they would not have been able to address the unique characteristics of students at each campus.

While campuses may not have been able to award the same amounts to students, the campuses could have prioritized students in similar situations in the same manner. It is true that the number and proportion of Pell Grant recipients on each campus did vary, and because of the U.S. Department of Education's allocation methodology, campuses did not receive the same amount per student. However, CSU representatives from different campuses described similar priorities for distributing funds. For example, CSU Chico, CSU Long Beach, and CSU Sonoma each described a goal of prioritizing their students with the most financial need, such as Pell Grant recipients. In fact, the financial aid director at CSU Chico stated that the campus's methodology for distributing automatic student aid grants focused on prioritizing its Pell Grant-eligible students, and it did not determine how the unique characteristics of the student population should influence the grant process as it did not have the time to undertake such an analysis. In the absence of more detailed guidance from the systemwide office, the CSU campuses each employed a different methodology for distributing the automatic grants, despite having the goal of prioritizing students in similar situations.

UCOP's perspective was similar to that of the Chancellor's Office. UCOP's executive director of student financial support stated that the guidelines it distributed allowed flexibility because it wanted the campuses to be able to develop plans in consultation with stakeholders on each campus. The guidelines encouraged campuses to consider prioritizing particularly vulnerable populations, such as student parents, former foster care youth, and disabled students, but they did not explicitly state which groups should be included. As a result, UC campuses prioritized different categories of students when deciding who should receive HEERF automatic grants and how much they should receive.

However, a student's need does not necessarily depend on which campus that student attends. A November 2020 UC report on students' ability to meet their basic needs noted that student parents and foster youth at UC campuses were particularly vulnerable to housing and food insecurity. Thus, these students' needs are based on their circumstances rather than the campuses they attend, and as a result of the campuses' different approaches to distributing student aid grants, students in similar situations in the same system received varying access to disaster relief funds.

The UC and CSU systems' implementation of the HEERF student aid program demonstrates some of the challenges of distributing disaster relief. The majority of the HEERF student aid funds allocated to the campuses we reviewed have been distributed, and it is not clear if or when another such aid program may be necessary. However, aspects of the UC and CSU campuses' distribution of these funds should be considered for any future programs of a similar nature. On the one hand, the U.S. Department of Education did not require that campuses within the same system employ the same approach, and thus there was no requirement to treat students consistently. On the other hand, nothing prevented UCOP and the Chancellor's Office from exercising their respective inherent roles to coordinate activities between campuses. This could have included providing the campuses with more detailed guidance related to HEERF grant priorities and processes, including identifying which student characteristics should be prioritized for automatic grants, establishing an efficient method for assessing need-based applications for aid, and providing guidance on the factors to consider when assessing those applications. Doing so might have led to more consistent treatment of students in similar situations between campuses.

Recommendations

CSU Chico, CSU Long Beach, UC Merced, UC San Diego

To maximize the available HEERF funds, CSU Chico, CSU Long Beach, UC Merced, and UC San Diego should review expenses they incurred in response to the pandemic since January 2020 and submit all eligible

As a result of the campuses' different approaches to distributing student aid grants, students in similar situations in the same system received varying access to disaster relief funds.

expenses to FEMA for reimbursement. These campuses should reallocate any HEERF funds initially spent for these expenses to other purposes, such as replacing lost revenue or providing additional student aid.

UC San Diego

To allow UC San Diego to apply for funds to expand its capacity to serve its minority students, it should immediately develop an interim plan for supporting its Asian American and Native Pacific Islander student population and apply for MSI status during the next available application cycle.

UC Merced

To ensure that UC Merced receives all available federal funds, its office of student affairs should monitor its emails for grant award notifications and develop policies and procedures to review all federal award announcements to determine whether it is named as a recipient.

CSU Chancellor's Office and UCOP

To encourage campuses to obtain additional federal funds that allow them to maximize student services and aid, the CSU Chancellor's Office and UCOP should do the following:

- Direct each of their respective campuses to submit a report summarizing all expenses incurred in response to the pandemic between January 2020 and December 31, 2021 and identifying any expenses that are eligible for FEMA reimbursement.
- Review and evaluate the campuses' reports to ensure that they are consistently identifying expenses eligible for FEMA reimbursement.
- Monitor campuses' FEMA claims to ensure that eligible expenses are submitted to FEMA and, for any expenses not submitted, obtain campuses' explanation for why it is not feasible to submit them.

In the event of a future emergency federal student aid program that lacks detailed criteria regarding how funds are to be awarded, such as an allocation of additional pandemic-related funds under current requirements, the CSU Chancellor's Office and UCOP should provide guidance on the priorities and processes for distributing student aid so that their respective campuses can consistently distribute funds to students in similar situations.

Legislature

If the CSU Chancellor's Office and UCOP do not ensure that their respective campuses submit eligible expenses incurred in response to the pandemic to FEMA for reimbursement, the Legislature should direct the CSU Chancellor's Office and UCOP to do so or explain why submitting these claims was not feasible.

UCOP

UCOP should assist campuses with obtaining federal funds intended to support the success of minority students by creating an initiative to promote obtaining U.S. Department of Education status as Asian American and Native American Pacific Islander-serving institutions at those UC campuses that meet the demographic requirement.

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Other Areas We Reviewed

To address the objectives established for this audit, we also reviewed the timeliness of campuses' expenditures of the HEERF funds they transferred from the federal government into their accounts, their compliance with requirements established in CARES and CRRSAA for reporting on their expenditures of HEERF funds, and the eligibility of the expenditures for which they used HEERF funds. Portions of this review resulted in recommendations that we have not previously presented in the report.

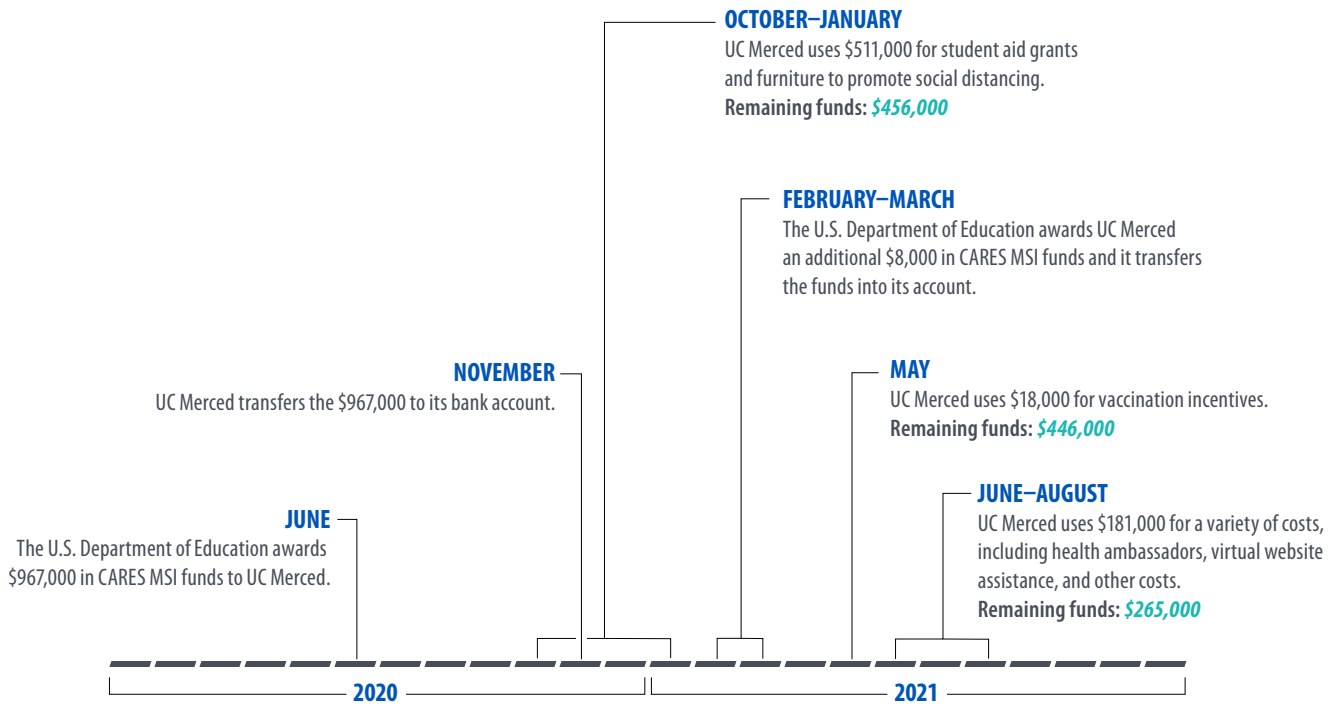
Timing of Federal Fund Drawdowns

UC Merced did not comply with federal regulations regarding the prompt use of its CARES MSI funds. Federal regulation and U.S. Department of Education guidance require campuses to minimize the time between drawing down federal funds—the act of transferring funds from the U.S. Department of Education and depositing them into a campus account—and the use of those funds. Although the U.S. Department of Education did not specify a time frame between the transfer and use of CARES funds, its CRRSAA guidelines suggested that campuses should distribute funds for student aid within 15 days and distribute funds for all other uses within three days. As Figure 5 shows, UC Merced transferred \$967,000 in CARES MSI funds into its account in November 2020. However, UC Merced's assistant vice chancellor of financial planning and analysis confirmed that as of September 2021 it had not spent the entire amount. She further stated that these funds were drawn down prematurely because of miscommunication within the UC Merced financial department, and that the campus intends to spend the funds, but as of early November 2021 it had not designated the pandemic related costs for which it will use these HEERF funds. The amount of time UC Merced has taken to spend these funds is excessive based on the 15-day and three-day guidance the U.S. Department of Education describes in the CRRSAA guidance. Federal regulation also requires the campus to maintain the funds in an interest-bearing account and to return any interest in excess of \$500 to the federal government. UC Merced calculated that it had earned more than \$2,400 in interest as of August 2021. As a result, it must return to the federal government the amount in excess of \$500.

Recommendation

To comply with federal regulation, UC Merced should promptly spend the remainder of its CARES MSI funds and return the interest earned on those funds in excess of \$500 to the federal government.

Figure 5
UC Merced Failed to Spend HEERF MSI Funds in a Timely Manner



Source: U.S. Department of Education allocation documents, campus grant award notifications, campus accounting documents, and HEERF quarterly reports.

Reporting of HEERF Expenditures

UC San Diego published two inaccurate quarterly reports on how it used its institutional aid. The U.S. Department of Education required all campuses to publish quarterly reports on their public websites describing how they spent HEERF institutional aid and MSI funds. According to UC San Diego accounting documents, the campus spent \$17.4 million of CARES funds to recoup the cost of student housing refunds in June 2020. However, the quarterly reports it published in October 2020 and January 2021 did not accurately reflect how it spent these funds. According to UC San Diego's Campus Budget Office director (budget director), the reports describe how UC San Diego planned to reallocate the funds in the future. However, the U.S. Department of Education's reporting instructions direct campuses to specify how they spent funds, not their plans for future reallocations. After we discussed this discrepancy with the budget director, he published a corrected quarterly report.

The U.S. Department of Education also required campuses to report on their public websites information on their CARES, CRRSAA, and ARP student aid grants, including the total amount of student aid funds received, the amount distributed to date, and the number of students who received a student aid grant. However, as of August 2021, CSU Long Beach and CSU Sonoma had not posted the total actual amount of CRRSAA funds distributed or total number of students who received grants. After we informed them of the oversight, both campuses updated their websites with the corrected information.

HEERF Funds Used for Housing and Dining Refunds

Four of the campuses that we reviewed—CSU Chico, UC Merced, UC Riverside, and UC San Diego—did not ensure that they used HEERF funds only for eligible expenditures. HEERF requirements allow campuses to use HEERF institutional and MSI funds to reimburse themselves for the amounts they incurred after March 13, 2020, for refunding students for prepaid housing and dining as well as for canceled charges to student accounts for housing and dining fees during the period when students were not on campus (housing and dining refunds) because of the pandemic. However, the processes that CSU Chico, UC Merced, UC Riverside, and UC San Diego established did not ensure that they reimbursed themselves only for eligible housing and dining refunds.

Each of these four campuses used HEERF funds to reimburse themselves for the housing and dining refunds they issued when the students moved out because of the pandemic. According to campus officials, when the majority of students moved out of campus housing in March 2020, the campuses excused the remaining charges to the housing and dining balances of the outgoing students for the remainder of the term and issued refund payments to those students who had already paid for that portion. These campuses reported on their HEERF quarterly reports that they used portions of their HEERF institutional funds to pay for these housing and dining refunds.

However, CSU Chico inappropriately used HEERF funds for a student housing charge related to services provided before the pandemic. According to the CSU Chico director of student financial services (director), it prorated students' accounts based on their move-out date and it used HEERF funds to pay for them. However, of four student housing transactions we reviewed totaling \$10,000, one was a \$3,900 refund the campus issued to a student that included a period before March 2020. The director stated that staff members did not realize that excused housing balances that were not pandemic-related might have occurred, and therefore the

campus did not perform any additional verification to ensure that the refunds were pandemic-related. She agreed that this transaction was not appropriate and stated that the campus reallocated the HEERF funds to adjust for the error.

Further, UC Merced, UC Riverside, and UC San Diego did not follow U.S. Department of Education guidance for documenting the housing and dining refunds that they issued. These campuses did not identify the specific housing and dining refunds for which they used HEERF funds. Instead, they reimbursed themselves for a portion of the total amount of housing and dining refunds they issued during the spring of 2020. The U.S. Department of Education confirmed that campuses should maintain a list of all of the specific housing refunds that they reimbursed with HEERF funds and can only cover the transactions that occurred on or after March 13, 2020.

According to the UC San Diego's budget director, the campus did not select which individual transactions it reimbursed with the HEERF funds. Out of the more than \$40 million in housing and dining refunds that the campus issued for the spring 2020 quarter, the campus reported paying for only \$9.3 million using HEERF funds. Similarly, UC Riverside did not select which individual transactions it reimbursed with the HEERF funds. UC Riverside issued \$20.1 million in housing and dining refunds for the spring 2020 quarter; however, according to the UC Riverside interim associate vice chancellor of financial planning and analysis, after covering other needs, it used HEERF funds to pay for these refunds and cancellations. This amount totaled \$12.8 million.

According to UC Merced, it used \$6.5 million in CARES institutional funds to pay for a portion of the \$10.2 million it issued in housing, parking, and dining refunds when the campus excused the balances of students who left campus housing in spring 2020 as a result of the pandemic. According to UC Merced's director of student business services, because more than 90 percent of students left due to the stay-at-home mandate, it is reasonable to assume that more than \$6.5 million of the \$10.2 million in housing and dining refunds were pandemic-related. He added that the campus plans to compile a list of the \$6.5 million in refunds that it reimbursed through HEERF funding. However, as of October 2021 it had not identified which transactions it used HEERF funds to reimburse. We reviewed seven of the transactions making up the \$10.2 million in student housing, dining, and parking refunds the campus issued in spring 2020. In the course of our review we identified a refund of \$700 for a dining plan that, according to the director of student business services, was made in error because UC Merced had separately refunded the amount the student prepaid for dining.

Although there may be a sufficient number of valid transactions to justify the amounts of HEERF funds that these campuses used for this purpose, because they did not document which transactions they reimbursed with HEERF funds, they cannot demonstrate that they complied with the U.S. Department of Education guidelines.

Recommendation

To ensure that CSU Chico, UC Merced, UC Riverside, and UC San Diego comply with U.S. Department of Education guidance, they should compile a specific list of housing and dining refunds reimbursed with HEERF funds and review the transactions to ensure that they were eligible for reimbursement.

We conducted this performance audit in accordance with generally accepted government auditing standards and under the authority vested in the California State Auditor by Government Code sections 8543 et seq. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,



ELAINE M. HOWLE, CPA
California State Auditor

November 18, 2021

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Appendix A

Scope and Methodology

State law authorizes the California State Auditor (State Auditor) to establish a program to audit and issue reports with recommendations to improve any state agency or statewide issue that the State Auditor identifies as being at high risk for the potential of waste, fraud, abuse, and mismanagement; or that has major challenges associated with its economy, efficiency, or effectiveness. In August 2020, we amended the state high-risk list to add the State’s management of federal COVID-19 funding as a high-risk statewide issue. Because CSU and UC campuses are responsible for managing a portion of the State’s COVID-19 federal funds, we performed this audit of their management and oversight of the funds. The U.S. Department of Education contracted directly with the UC and CSU campuses, and as a result UCOP and the Chancellor’s Office were not a direct party to these agreements. Nevertheless, because they provided guidelines to the campuses on administering the funds, we reviewed these guidelines. We list the objectives we developed and the methods we used to address them in the following table.

Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVE	METHOD
1 Identify and review criteria.	<ul style="list-style-type: none"> Reviewed federal laws, regulations, and U.S. Department of Education guidance relevant to the HEERF programs. Identified and reviewed HEERF agreements between selected campuses and the U.S. Department of Education.
2 Document and evaluate the role of UCOP and the Chancellor’s Office in overseeing HEERF and providing guidance to campuses on the use of funding.	<ul style="list-style-type: none"> Interviewed staff at UCOP and the Chancellor’s Office to document their role in overseeing HEERF allocations and spending. Obtained information about HEERF spending collected by the systemwide offices from the campuses. Assessed the adequacy of oversight that UCOP and the Chancellor’s Office provided to campuses regarding HEERF funds.
3 Evaluate the financial impact of the pandemic on the UC and CSU systems.	Reviewed the COVID-19 cost reports submitted to the Department of Finance by the six UC and CSU campuses we reviewed to determine the financial impact of the pandemic on the campuses’ finances—including additional costs and lost revenue.
4 Evaluate the amount and timing of HEERF funds spent for financial aid grants at all UC and CSU campuses.	<ul style="list-style-type: none"> Identified U.S. Department of Education allocations of CARES, CRRSAA, and ARP HEERF funds to UC and CSU campuses. Reviewed and analyzed UC and CSU campus HEERF quarterly reports to determine the amount of student aid campuses provided to their students. Reviewed and analyzed HEERF information reported on each of the UC and CSU campuses’ websites to identify the differences in student aid grant amounts and grant distribution methodologies. We found that most campuses promptly distributed the funds. Using the information on student aid grants reported on the campuses’ websites, as described above, we selected six California universities for further review: UC Merced, UC Riverside, UC San Diego, CSU Chico, CSU Long Beach, and CSU Sonoma.

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AUDIT OBJECTIVE	METHOD
<p>5 Evaluate campuses' administration of student aid funds.</p>	<ul style="list-style-type: none"> • For the six campuses, we obtained and evaluated campus policies and interviewed staff to determine why the campuses chose the method they used to allocate student aid funds. • Judgmentally selected 10 CARES student aid grants and 10 CRRSAA student aid grants at each of these campuses and determined that the campuses generally distributed the student aid according to their stated methodology. • Reviewed the campuses' outreach efforts to students about student aid funding availability and application requirements. We determined that the campuses provided sufficient notice of the availability of funds to their students.
<p>6 Assess actual or planned expenditures of nonstudent aid HEERF funding.</p>	<ul style="list-style-type: none"> • Interviewed staff and reviewed financial information and other documentation at each of the six campuses to evaluate how the campuses spent or plan to spend their institutional aid and MSI funds. • At each of the six campuses, judgmentally selected 10 expenditures of HEERF, CARES, or CRRSAA institutional aid and MSI funds to assess whether campuses used the funds for allowable purposes. We found that campuses generally complied with federal laws and requirements.
<p>7 Review and assess any other issues that are significant to the audit.</p>	<ul style="list-style-type: none"> • Assessed whether campuses met key U.S. Department of Education HEERF reporting requirements regarding their distribution of student aid and use of institutional aid and MSI funds. • Reviewed campus processes and interviewed campus staff to determine what steps campuses took to identify FEMA-eligible expenses. • Reviewed campuses' HEERF expenditures to determine whether they qualified for FEMA reimbursement. • Interviewed UCOP and Chancellor's Office staff to identify what steps they took to assist campuses with identifying and submitting FEMA claims.

Source: Audit work papers.

Assessment of Data Reliability

The U.S. Government Accountability Office, whose standards we are statutorily required to follow, requires us to assess the sufficiency and appropriateness of the computer-processed information that we use to support our findings, conclusions, and recommendations. In performing this audit, the primary data and systems we relied on include the following:

HEERF—Student Aid Grants

We relied on lists of grant recipients obtained from the six campuses we reviewed to make a selection of grants for further review and to determine whether the campuses accurately reported the total amount of student aid distributed. We performed data-set verification procedures and did not identify any issues. To gain assurance that the data contained a complete list of all grants, we assessed the completeness of these data by determining if the total amount of the grants distributed materially matched the amounts of student aid the U.S. Department of Education allocated.

We determined that these data were sufficiently reliable for the purposes of selecting items for further review and determining whether the campuses accurately reported the amount of student aid they distributed.

On-Campus Student Housing

We relied on on-campus student housing data obtained from the student information systems at the six campuses that we reviewed to determine the percentage of students who remained in on-campus housing after the pandemic began. Because we used these data for background or contextual information that does not materially affect findings, conclusions, or recommendations, we determined that a data reliability assessment was not necessary.

Campus Financial Systems

We relied on campus financial system data from the six campuses we reviewed to make a selection of HEERF institutional and MSI expenditure transactions for further review. We also relied on these data to identify campuses' HEERF expenditures that might be eligible for FEMA reimbursement. We performed data-set verification procedures and did not identify any issues. To gain assurance that the data contained a complete list of all HEERF institutional expenditures, we assessed the completeness of these data by determining if the total amount of the expenditures materially matched the total amount of HEERF Institutional and MSI funding that the campuses drew down from the U.S. Department of Education. We determined that these data were sufficiently reliable for the purpose of selecting items for further review. We assessed the accuracy of these data by selecting a total of 60 campus expenditures (10 from each campus) reimbursed with HEERF institutional aid or MSI funds, and tracing key data elements to supporting evidence maintained by the campuses. We found the campuses' data to be sufficiently reliable for purposes of identifying their HEERF expenditures. Campuses spent additional funds and reallocated funds during the course of this audit. In several instances they provided updated data. We did not reassess the reliability of this data; however, there is sufficient evidence in total to support our audit findings, conclusions, and recommendations.

MSI Eligibility

We relied on U.S. Department of Education data to determine UC and CSU campuses' MSI eligibility and to calculate the estimated amount of MSI funds campuses could have received if they had obtained or renewed their MSI status. Because these data are compiled from institutions of higher education from across the country, it was not feasible to assess their reliability.

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Appendix B

CARES and CRRSAA Student Aid Distribution at the UC and CSU Campuses

Each of the UC and CSU campuses received CARES and CRRSAA funds for the purpose of student aid grants. The U.S. Department of Education required each campus to post on its public website information on how the campus distributed the grants. Tables B.1 and B.2 summarize information from the CSU campuses' reports on their distribution of CARES and CRRSAA student aid grants, and tables B.3 and B.4 summarize information from the UC campuses' reports.⁸

As the Audit Results describe, campuses used two primary methods for distributing grants: an automatic process based on certain student characteristics and an application process. In awarding automatic grants, campuses divided students into categories and awarded a certain amount to students in each category. Campuses categorized students by various characteristics, such as their families' expected contribution to their cost of attendance or whether they were parents.

Figures 3 and 4 in the Audit Results present the categories the six campuses we reviewed used to distribute CARES funds to full-time independent undergraduates in spring 2020. However, some campuses established additional categories based on other characteristics. For example, Figure 4 shows that CSU Sonoma awarded four levels of grants based on how it categorized full-time undergraduate students using their families' expected contribution amount. However, in addition to these four levels of grants, CSU Sonoma awarded 75 percent of those amounts to students enrolled in 9 to 11 units, 50 percent of those amounts to students enrolled in 6 to 8 units, and 25 percent of those amounts to students enrolled in 1 to 5 units. For this reason, Table B.1 shows 16 categories of awards for CSU Sonoma. Characteristics other campuses used for categorizing students included whether they were undergraduate or graduate students and whether they were dependents or independent. Because the following tables show the total number of categories each campus established for automatic grants, they differ from the number of categories presented in figures 3 and 4. The following tables also show whether the campus established an application process, the minimum and maximum amounts of automatic grants, and the number of recipients who were awarded funds.

⁸ Because this information is not used as the basis for findings or recommendations, we did not perform additional testing to ensure the accuracy of the information reported by each campus.

The tables illustrate wide variations among campuses. For example, as Table B.1 shows, California Polytechnic State University, San Luis Obispo divided students into 36 categories when awarding its automatic CARES grants and used an application process for some portion of its grants, whereas CSU Sacramento used six categories and did not have an application process.

Table B.1
CSU Campuses' CARES Student Aid Grant Distribution

CSU-CAMPUS	NUMBER OF AUTOMATIC GRANT CATEGORIES	MINIMUM/MAXIMUM AUTOMATIC GRANT AMOUNTS	NEED-BASED APPLICATION PROCESS	TOTAL NUMBER OF RECIPIENTS
California Polytechnic State University, San Luis Obispo	36	\$200/\$1,600	Y	6,736
California State Polytechnic University, Pomona	4	350/1,000	Y	18,863
Bakersfield	12	100/1,100	N	8,580
Channel Islands	6	150/925	Y	6,030
Chico	4	700/1,000	Y	9,577
Dominguez Hills	14	125/965	N	12,314
East Bay	0	N/A	Y	12,386
Fresno	4	325/1,400	Y	17,538
Fullerton	4	200/900	Y	27,480
Humboldt	6	500/1,000	Y	6,242
Long Beach	5	250/1,000	Y	29,815
Los Angeles	10	150/1,000	Y	26,976
Maritime Academy	2	200/Variable	N	872
Monterey Bay	3	200/1,430	Y	6,904
Northridge	0	N/A	Y	34,839
Sacramento	6	100/850	N	28,734
San Bernardino	6	315/975	Y	16,192
San Diego	5	250/800	Y	22,389
San Francisco	4	Variable/1,000	Y	14,364
San José	6	325/1,100	Y	14,736
San Marcos	6	200/1,000	Y	10,907
Sonoma	16	125/1,900	Y	3,346
Stanislaus	4	350/1,200	Y	7,170

Source: Campus websites and interviews with their financial aid departments.

Note: This table generally reflects the award structure for undergraduates. However, in some cases campuses did not differentiate between graduate and undergraduate students in how they awarded these funds.

Table B.2
CSU Campuses' CRRSAA Student Aid Grant Distribution

CSU-CAMPUS	NUMBER OF AUTOMATIC GRANT CATEGORIES	MINIMUM/MAXIMUM AUTOMATIC GRANT AMOUNTS	NEED-BASED APPLICATION PROCESS	TOTAL NUMBER OF RECIPIENTS
California Polytechnic State University, San Luis Obispo	30	\$650/\$1,500	Y	4,577
California State Polytechnic University, Pomona	6	400/1,200	Y	20,523
Bakersfield	8	300/1,600	N	9,070
Channel Islands	2	900/1,200	N	5,491
Chico	4	700/1,000	N	14,735
Dominguez Hills	4	200/965	N	12,508
East Bay	2	375/750	Y	10,779
Fresno	6	400/1,600	N	22,473
Fullerton	6	250/850	N	29,900
Humboldt	3	500/1,200	Y	4,423
Long Beach	8	100/1,200	N	34,843
Los Angeles	9	500/1,000	Y	22,732
Maritime Academy	2	200/Variable	N	815
Monterey Bay	4	200/800	N	5,433
Northridge	6	300/1,060	N	28,624
Sacramento	4	600/850	Y	22,489
San Bernardino	8	210/895	N	18,820
San Diego	2	500/750	Y	23,416
San Francisco	12	200/1,500	N	11,812
San José	4	670/1,235	N	13,375
San Marcos	3	500/1,000	N	11,579
Sonoma	16	131/2,350	N	2,574
Stanislaus	8	200/1,250	N	6,887

Source: Campus websites and interviews with their financial aid departments.

Note: This table generally reflects the award structure for undergraduates. However, in some cases campuses did not differentiate between graduate and undergraduate students in how they awarded these funds.

Table B.3
UC Campuses' CARES Student Aid Grant Distribution

UC-CAMPUS	NUMBER OF AUTOMATIC GRANT CATEGORIES	MINIMUM/MAXIMUM AUTOMATIC GRANT AMOUNTS	NEED-BASED APPLICATION PROCESS	TOTAL NUMBER OF RECIPIENTS
Berkeley	6	\$500/\$1,300	N	14,159
Davis	3	500/1,000	N	19,371
Irvine	6	400/1,500	N	22,046
Los Angeles	10	250/1,850	Y	22,695
Merced	8	250/1,500	N	6,518
Riverside	9	250/1,500	N	19,967
San Diego	1	900/900	Y	15,339
San Francisco	2	600/3,862	N	626
Santa Barbara	4	650/1,700	Y	15,277
Santa Cruz	5	500/750	Y	9,954

Source: Campus websites and interviews with their financial aid departments.

Note: This table generally reflects the award structure for undergraduates. However, in some cases campuses did not differentiate between graduate and undergraduate students in how they awarded these funds.

Table B.4
UC Campuses' CRRSAA Student Aid Grant Distribution

UC-CAMPUS	NUMBER OF AUTOMATIC GRANT CATEGORIES	MINIMUM/MAXIMUM AUTOMATIC GRANT AMOUNTS	NEED-BASED APPLICATION PROCESS	TOTAL NUMBER OF RECIPIENTS
Berkeley	6	\$750/\$1,400	N	12,569
Davis	3	500/1,000	N	18,575
Irvine	5	400/1,500	N	23,714
Los Angeles	5	300/1,700	Y	13,157
Merced	4	800/1,000	Y	7,315
Riverside	7	600/1,600	N	16,203
San Diego	1	900/900	Y	15,790
San Francisco	1	280/280	N	1,889
Santa Barbara	5	450/1,250	Y	11,415
Santa Cruz	5	1,000/1,800	Y	7,138

Source: Campus websites and interviews with their financial aid departments.

Note: This table generally reflects the award structure for undergraduates. However, in some cases campuses did not differentiate between graduate and undergraduate students in how they awarded these funds.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR



BAKERSFIELD

October 28, 2021

CHANNEL ISLANDS

CHICO

Ms. Elaine Howle*
State Auditor
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, California 95814

DOMINGUEZ HILLS

EAST BAY

FRESNO

Dear Elaine:

FULLERTON

On behalf of the California State University (CSU), I appreciate the opportunity to review the draft audit report related to the use of Higher Education Emergency Relief Funds. ①

HUMBOLDT

LONG BEACH

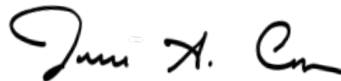
The CSU will continue to further review recommendations provided in the audit report and will provide status updates regarding the recommendations in ninety (90) days and thereafter as required by your office. ②

LOS ANGELES

MARITIME ACADEMY

Sincerely,

MONTEREY BAY



NORTHRIDGE

POMONA

Joseph I. Castro, Ph.D. M.P.P.
Chancellor

SACRAMENTO

SAN BERNARDINO

JIC/bw

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS

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Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE CSU CHANCELLOR'S OFFICE AND CSU CAMPUSES WE REVIEWED

To provide clarity and perspective, we are commenting on the response to our audit from the Chancellor's Office and the three CSU campuses we reviewed—CSU Chico, CSU Long Beach, and CSU Sonoma. The numbers below correspond to the numbers we have placed in the margin of the Chancellor's Office response.

The three CSU campuses we reviewed—CSU Chico, CSU Long Beach, and CSU Sonoma—informed us that they chose not to submit separate responses and indicated that the Chancellor's Office's response was on behalf of the entire CSU system.

Although the Chancellor's Office stated that it will continue to review the report's recommendations and will provide an update in 90 days, we are disappointed that it did not describe in more detail how it intends to address the audit findings and whether it plans to implement any of the recommendations.

①

②

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UNIVERSITY
OF
CALIFORNIA

Michael V. Drake, MD
President

Office of the President
1111 Franklin St.
Oakland, CA 94607

universityofcalifornia.edu

October 28, 2021

Ms. Elaine M. Howle
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, California 95814

Dear State Auditor Howle:

Thank you for the opportunity to review and respond to the draft audit report on the Higher Education Emergency Relief Fund.

I appreciate the time and resources the State Auditor's office has dedicated to helping California's higher education institutions, including the University of California, maximize available federal funding and defray the costs related to the COVID-19 pandemic.

I concur with the aim of CSA's audit in ensuring the University take advantage of all available resources during an unprecedented time in which we contended with myriad challenges. We welcome the State Auditor's recommendations as ways for campuses to further explore avenues for expense reimbursement, especially in light of the recent changes in Federal Emergency Management Agency (FEMA) guidance to expand eligibility criteria, as acknowledged by the report. The University will carefully examine and consider additional ways to maximize support in accordance with applicable federal policy and laws.

I appreciate your team's professionalism and cooperation during the audit process. Please reach out if you have questions or need additional information.

Sincerely,

A handwritten signature in black ink that reads "Michael V. Drake" with a stylized flourish at the end.

Michael V. Drake, MD
President

CAMPUSES

Berkeley
Davis
Irvine
UCLA
Merced
Riverside
San Diego
San Francisco
Santa Barbara
Santa Cruz

MEDICAL CENTERS

Davis
Irvine
UCLA
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OFFICE OF THE CHANCELLOR

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FAX: 209-228-4423

October 28, 2021

Ms. Elaine M. Howle
California State Auditor
621 Capital Mall, Suite 1200
Sacramento, California 95184

Dear State Auditor Howle:

University of California, Merced (UC Merced) welcomes the opportunity to respond to the draft audit report, Higher Education Emergency Relief Fund, Report 2021-611. We appreciate the time and effort dedicated by the California State Auditor's Office and its staff in conducting this important audit.

UC Merced fully recognizes the critical importance of maximizing available federal pandemic funds and prioritizing students when awarding relief funds. UC Merced concurs with the intent of the recommendations noted in the draft audit report. Detailed responses to the four recommendations follow:

Recommendations and UC Merced Responses:

1. **Recommendation:** To maximize HEERF funds, UC Merced should review expenses they incurred in response to the pandemic since January 2020 and submit all eligible expenses to FEMA for reimbursement. Campus should then reallocate any HEERF funds initially spent for these expenses to other purposes such as additional student aid.

UC Merced Response: UC Merced leadership made decisions on how to use HEERF funds in accordance with available Department of Education guidance during the fast moving and confusing time of COVID-19 inception and campus shut-down. With FEMA guidelines continuously changing and ambiguous for COVID purposes, reports of claim rejections from other institutions, and the lack of in-house or cost-effective expertise to file and support a successful FEMA claim, our campus was not hopeful we would receive much reimbursement, especially in a timely fashion. FEMA is known for sometimes taking years to review and approve claims and requirements are very stringent. The need for quick relief and availability of HEERF funds provided campus leadership a clear decision on how to use HEERF institutional funds on our campus.

Now with more clarity, increased expense eligibility, and extension of time for including costs, our campus will conduct a thorough cost benefit analysis to determine if moving expenses to a FEMA claim would be holistically beneficial and maximize our use of federal funds. UC Merced will prepare a listing of all expenses incurred since January 2020 that are eligible for FEMA reimbursement. The University will then conduct a cost/benefit analysis to determine if obtaining the resources needed to increase a claim with FEMA is in the best interest of our campus operations and the most diligent use of our resources. Significant costs and time resources can be incurred in filing and supporting expenses in a FEMA claim, including obtaining services of consultant subject matter experts to help prepare and support a successful FEMA claim, and other resources needed for ongoing FEMA coordination. These costs and other resources need to be considered in deciding how to judiciously proceed. If the University decides to revise our FEMA claim to include current HEERF expenses, we will reallocate any HEERF funds initially spent to other allowable HEERF purposes.

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2. **Recommendation:** To ensure that UC Merced receives all available federal funds, its office of student affairs should monitor its emails for grant award notifications and develop policies and procedures to review all federal award announcements to determine whether it is named as a recipient.

UC Merced Response: UC Merced does have a process for informing appropriate offices of grant award notifications. However, during the first year of COVID we had a critical vacancy in the process that could not be filled due to a hiring freeze and unfortunately this resulted in a breakdown of communication about this subject award. Staff on campus were notified about the HEERF II direct student financial support and the institutional support, however information on the MSI funds was not passed on given the staff vacancy. This position is now filled, however UC Merced plans to review its current procedures and ensure they are shored up so timely notification and action can be taken in any circumstance.

3. **Recommendation:** To comply with federal regulation, UC Merced should spend the remainder of its CARES MSI funds and return the interest earned on those funds in excess of \$500 to the federal government.

UC Merced Response: UC Merced will spend its remaining CARES MSI funds by December 31, 2021. In addition, UC Merced will return all interest earnings in excess of \$500 to the federal government by December 31, 2021.

4. **Recommendation:** To ensure that UC Merced complies with U.S. Department of Education guidance, they should compile a specific list of housing and dining refunds reimbursed with HEERF funds and review the transactions to ensure that they are eligible for reimbursement.

UC Merced Response: UC Merced has a list of eligible refunds in excess of \$10 million, but will review, analyze and compile a list of housing and dining refunds specifically supporting the \$6.5 million of CARES institutional funds claimed for this purpose. Furthermore, we will review all transactions on the list to ensure that they meet federal CARES funding requirements. These tasks will be completed by November 30, 2021.

Thank you and your staff for your professionalism and cooperation during this audit. We note that improvements are needed and will work diligently to assess and implement your recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "J.S.M.", followed by a horizontal line.

Juan Sánchez Muñoz, Ph.D.
Chancellor



Accounting Office

900 University Ave
Riverside, CA 92521
www.ucr.edu

October 26, 2021

Elaine Howle, California State Auditor
621 Capital Mall, Suite 1200
Sacramento, CA 95814

Submitted via encrypted email

Subject: UC Riverside Response to State Audit 2021-611

Dear Ms. Howle:

Thank you for providing the opportunity to respond to the audit regarding UC Riverside's use of HEERF funds. UC Riverside agrees with the recommendation ("...compile a specific list of housing and dining refunds reimbursed with HEERF funds and review the transactions to ensure they are eligible for reimbursement.") and compiled a list of specific housing and dining refunds reimbursed with HEERF funds. We confirm the transactions listed are eligible for reimbursement. The list was provided to the State Auditor's Office on 10/19/2021.

Please let me know if any additional information is required (bobbi.mccracken@ucr.edu).

Sincerely,

Bobbi McCracken
Assoc. Vice Chancellor-Business & Financial Services and Controller

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UNIVERSITY OF CALIFORNIA, SAN DIEGO

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FAX: (858) 534-6523

October 29, 2021

Elaine M. Howle, CPA
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, California 95814

Dear State Auditor Howle:

Thank you for the opportunity to review and respond to the draft audit report, *Higher Education Emergency Relief Act: Some University Campuses Did Not Maximize Federal Pandemic Funds or Consistently Distribute Relief Funds to Students (2021-611)*. A response to each recommendation directed to UC San Diego is provided below.

- 1. Recommendation: To maximize HEERF funds... UC San Diego should review expenses they incurred in response to the pandemic since January 2020 and submit all eligible expenses to FEMA for reimbursement. These campuses should then reallocate any HEERF funds initially spent for these expenses to other purposes, such as additional student aid.**

We agree with this recommendation. In light of FEMA's most recent September 2021 COVID-19 Public Assistance Guidance, we will review expenses incurred in response to the pandemic and submit eligible expenses for reimbursement. The updated guidance expands reimbursement eligible expense categories and provides for up to 100% reimbursement retroactive to the initial declaration. UC San Diego has already submitted two FEMA project worksheets and is working on others to maximize our expense reimbursement.

We are cognizant of the timelines associated with the various aid programs, and will apply for an extension to the deadline for use of HEERF funds (from May 2022 to May 2023) if needed. This will allow additional time for the FEMA claims and extensive review process to occur, and at that point we can make informed decisions about the allocation of funds to maximize overall federal relief dollars and mitigate pandemic related impacts to the campus.

- 2. Recommendation: To ensure that UC San Diego can provide additional educational opportunities and expand the campus's capacity to serve its minority students, it should apply for MSI status by January 1, 2022.**

We agree with the recommendation to apply for MSI status and are already planning to do so for the Federal Fiscal Year 2022 cycle. We understand that the call for applications typically occurs in the Winter, so we will apply for the upcoming FY2022 cycle when the application window is available.

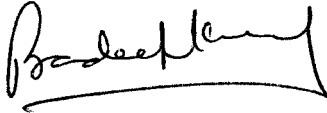
We have long supported our underrepresented student populations, and have developed a number of strategies to support them. We have been working towards becoming an *Asian American and Native American Pacific Islander-Serving Institution (AANAPISI)* and *Hispanic Serving Institution (HSI)*. We are proud of our progress to date which includes developing extensive academic and psychosocial support programs for our students as well as expanding access through scholarships and community partnerships. These investments in our students represents UC San Diego's full commitment to support and develop them from their high school transition into UC San Diego through their graduation. As part of our ongoing commitment to our students we created a task force in Fall 2020 which will provide additional recommendations on how to intentionally serve the AANAPI population and demonstrate institutional support for our application and waiver. For the AANAPISI application, we are hopeful that our waiver for needy students will be approved given the substantial institutional investment in increasing educational equity for under-represented students.

- 3. Recommendation: To ensure that.... UC San Diego complies with U.S. Department of Education guidance, they should compile a specific list of housing and dining refunds reimbursed with HEERF funds and review the transactions to ensure that they are eligible for reimbursement.**

We agree with this recommendation and will narrow down our list to a specific set of housing and dining refunds reimbursed with HEERF funds and ensure this list is in compliance with eligibility requirements.

I appreciate the time the State Auditor's office has taken to identify improvements to strengthen our use of federal aid funds, maximize the benefit of those funds to the University community, and ensure compliance with applicable program requirements.

Sincerely,



Pradeep K. Khosla
Chancellor