

January 26, 2021

Vonda Garcia
Director, Financial Aid & Scholarships Office
0013

**Subject: *CARES Act – Student Aid Funding
 Report 2021-35***

The final report for CARES Act – Student Aid Funding, Report 2021-35, is attached. We would like to thank all members of the department for their cooperation and assistance during the review.

Because we were able to reach agreement regarding management action plans in response to the audit recommendations, a formal response to the report is not requested. We have confirmed that the management action plans have been completed and consider them closed.

UC wide policy requires that all draft reports be destroyed after the final report is issued. We also request that draft reports not be photocopied or otherwise redistributed.

Christa Perkins
Director
Audit & Management Advisory Services

Attachment

cc: Adele Brumfield
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UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

CARES Act – Student Aid Funding
Report No. 2021-35
January 2021

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I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a review of UCSD's compliance with Section 18004 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as a supplemental audit to the approved audit plan for Fiscal Year 2020-21. The objective of our review was to evaluate compliance with Section 18004 of the CARES Act as it pertains to disbursement of emergency financial aid grants to students, and compliance with the reporting requirements.

Based on our review, we concluded that UCSD was generally compliant with Section 18004 of the CARES Act as it pertains to disbursement of emergency financial aid grants to students, and with the associated reporting requirements (as released on August 31, 2020). As of the most recent quarterly update (December 16, 2020), UCSD had distributed \$17,396,946 of the \$17,444,885 received. The information required as part of the Department of Education's reporting requirement is available on a publicly accessible portion of the UCSD Financial Aid and Scholarships website.

However, we did note that one student that UCSD deemed eligible to receive HEERF student aid funding did not receive their aid funding, and two others received only partial payments. To address this finding, Student Financial Solutions completed the following actions:

A. Incomplete Emergency Financial Aid Grant Payments

1. To address the situation involving the student that received no student aid funding, Student Financial Solutions has removed the manual hold that was placed in error on the student's account and the CARES Act grant awarded to the student was disbursed in accordance with the CARES Act.
2. To address the incomplete distribution of CARES Act funds to the two students we identified, Student Financial Solutions made appropriate entries in the Integrated Student Information System (ISIS) to ensure that the amount of student aid funding not received was added back to their student accounts, and the remaining funds were appropriately disbursed to the students.

Our observation and related action plan is described in greater detail in section V. of this report.

II. BACKGROUND

Audit & Management Advisory Services (AMAS) has completed a review of UCSD's compliance with Section 18004 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as a supplemental audit to the approved audit plan for Fiscal Year 2020-21. This report summarizes the results of our review.

Background

The CARES Act is a \$2.2 trillion economic stimulus bill signed into law on March 27, 2020 in response to the economic fallout of the COVID-19 pandemic in the United States. Section 18004 of the CARES Act, titled the Higher Education Emergency Relief Fund (HEERF) (**Attachment A**), provides for emergency funds to institutions of higher education that have made substantial changes to the delivery of instruction due to COVID-19. The law provides emergency relief funds to institutions of higher education and to their students. It is the institution's responsibility to develop and administer their respective policies on how emergency financial aid grants reach their students, and institutions must use no less than 50 percent of their allocated HEERF funds to provide emergency financial aid grants to students. The remainder is considered the "institutional portion." UCSD received \$34,889,769 in HEERF funds, and a minimum \$17,444,885 was designated for emergency financial aid grants to students.

Students can use the grants for expenses related to the disruption of campus operations due to coronavirus including eligible expenses under a student's costs of attendance, such as food, housing, course materials, technology health care, and childcare. The grants are qualified disaster relief payments under section 139 of the Internal Revenue Code, and are not subject to income taxes.

The following is a high-level summary of the HEERF and Department of Education (Department) requirements pertaining to the CARES Act student aid funding.

Section 18004 - HEERF

Section 18004(a) – In General – Describes the processes by which the Secretary of Education (Secretary) allocates funding to institutions of higher education. The law calls upon the Secretary make allocations to colleges and universities based on a formula of Pell grant recipient student population. The resulting list of recipient institutions and their emergency funding allocations are public information.

Section 18004(b) – Distribution – States the method by which the Secretary of Education forwards the funds to the higher education institutions.

Section 18004(c) – Uses of Funds – Establishes permitted uses of the institutional portion, and the portion that must be used for emergency aid grants to students. The requirements for emergency aid grants are specified as follows:

Institutions of higher education shall use no less than 50 percent of such funds to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to coronavirus (including eligible expenses under a student's cost of attendance,

such as food, housing, course materials, technology, health care, and child care).

Section 18004(d) – Special Provisions – Contains instructions to the Secretary.

Section 18004(e) – Reporting – States “*An institution receiving funds under this section shall submit a report to the Secretary, at such time and in such manner as the Secretary may require, that describes the use of funds provided under this section.*”

Department of Education

The Department of Education has released a series of Electronic Advisories (EA) regarding HEERF. The first and most comprehensive of these was issued on May 6, 2020. Subsequent releases include clarifications to reporting aspects that are applicable to smaller or historically black institutions of higher education. The following is an excerpt from the Department of Education’s reporting requirements. The requirements are presented with the same language in order to retain the precision of the Department’s requirements. The complete EA is included in its entirety as **Attachment B**.

Accordingly, the following information must appear in a format and location that is easily accessible to the public 30 days after the date when the institution received its allocation under 18004(a)(1) and updated every 45 days thereafter:

3. *An acknowledgement that the institution signed and returned to the Department the Certification and Agreement and the assurance that the institution has used, or intends to use, no less than 50 percent of the funds received under Section 18004(a)(1) of the CARES Act to provide Emergency Financial Aid Grants to students.*
4. *The total amount of funds that the institution will receive or has received from the Department pursuant to the institution’s Certification and Agreement [for] Emergency Financial Aid Grants to Students.*
5. *The total amount of Emergency Financial Aid Grants distributed to students under Section 18004(a)(1) of the CARES Act as of the date of submission (i.e., as of the 30-day Report and every 45 days thereafter).*
6. *The estimated total number of students at the institution eligible to participate in programs under Section 484 in Title IV of the Higher Education Act of 1965 and thus eligible to receive Emergency Financial Aid Grants to students under Section 18004(a)(1) of the CARES Act.*
7. *The total number of students who have received an Emergency Financial Aid Grant to students under Section 18004(a)(1) of the CARES Act.*
8. *The method(s) used by the institution to determine which students receive Emergency Financial Aid Grants and how much they would receive under Section 18004(a)(1) of the CARES Act.*
9. *Any instructions, directions, or guidance provided by the institution to students concerning the Emergency Financial Aid Grants.*

The Department updated the requirements pertaining to reporting deadlines on August 31, 2020. The updated guidance contained two major updates. First, it required institutions receiving funds under the CARES Act, in a manner and time required by the Secretary, to report the use of the funds from the HEERF. The second requirement changed the reporting deadlines, as listed in item three above, from a 45-day reporting cycle to a quarterly reporting cycle. Specifically, the reporting deadline was established as every calendar year quarter with a 10-day window.

The Department disclosed further clarifications via a Frequently Asked Questions (FAQ) format on its website. Amongst the notable points not addressed elsewhere are the following:

- Students are to receive the entire balance of their emergency financial aid grants without any encumbrances. The institution may not use that portion of the HEERF set aside for emergency financial aid grants to students to satisfy a student’s outstanding account balance.
- Although the intent of the CARES Act is to make emergency financial aid grants immediately available to students, any remaining funds can be disbursed to eligible students enrolled during subsequent terms, even if they were not enrolled during the spring 2020 term.

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The objective of our review was to evaluate UCSD’s compliance with Section 18004 of the CARES Act as it pertains to disbursement of emergency financial aid grants to students, and compliance with the reporting requirements. In order to achieve our objective, we performed the following:

- Reviewed the CARES Act, Section 18004;
- Reviewed the Department of Education guidance on the CAREs Act;
- Reviewed UCOP Budget Department's guidance on the student's portion of the CARES Act funds;
- Reviewed the signed and dated *Recipient’s Funding Certification and Agreement for Emergency Financial Aid Grants to Students*;
- Interviewed the following the Director of Financial Aid/Scholarships and the Student Financial Solutions Business Process/Data Analyst;
- Reviewed UCSD’s public disclosures for compliance with the CARES Act and Department of Education’s guidance;
- Reviewed source documentation supporting UCSD’s public disclosures;
- Evaluated UCSD’s public disclosures as of October 4, 2020 for compliance with the Department of Education requirements;
- Reviewed the CARES Act student award file;
- Analyzed data included in the student payment file;
- Matched CARES Act student awardees to applicable payment data; and
- Selected a random sample of 12 CARES Act payment recipients and validated that the students filed the applicable forms (FAFSA) and the sources of their grant funding.

IV. CONCLUSION

Based on our review, we concluded that UCSD was generally compliant with Section 18004 of the CARES Act as it pertains to disbursement of emergency financial aid grants to students, and with the associated reporting requirements (as released on August 31, 2020). As of the most recent quarterly update (December 16, 2020), UCSD had distributed \$17,396,946 of the \$17,444,885 received. The

information required as part of the Department of Education’s reporting requirement is available on a publicly accessible portion of the UCSD Financial Aid and Scholarships website.

However, we did identify three student awardees who did not receive some or all of their emergency financial aid grants, as required by the CARES Act. This finding is discussed in greater detail in the balance of this report.

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

A.	Incomplete Emergency Financial Aid Grant Payments
Of the students that UCSD deemed eligible to receive HEERF student aid funding, one student did not receive their aid funding, and two others received only partial payments.	
Risk Statement/Effect	
Because HEERF requires that student aid funding be paid directly to students, and cannot be used by institutions to reimburse themselves for student related costs, these errors represent non-compliance with the CARES Act.	
Management Action Plan	
A.1	To address the situation involving the student that received no student aid funding, Student Financial Solutions has removed the manual hold that was placed in error on the student’s account and the CARES Act grant awarded to the student was disbursed in accordance with the CARES Act.
A.2	To address the incomplete distribution of CARES Act funds to the two students we identified, Student Financial Solutions made appropriate entries in the Integrated Student Information System (ISIS) to ensure that the amount of student aid funding not received was added back to their student accounts, and the remaining funds were appropriately disbursed to the students.

A. Incomplete Emergency Financial Aid Grant Payments – Detailed Discussion

The Department, in a Frequently Asked Question (FAQ) guidance, stated that emergency financial aid grant payments must be received by the students without any encumbrances by the institution¹. There can be no debts, charges, fees or other amounts owed to the institution deducted from the emergency financial aid grant, and payments cannot be in a form that is only accepted on campus or at a retail establishment affiliated with the institution. In addition, Section 2 of the *Funding Certification and Agreement for the Emergency Financial Aid Grants to Students* states: “Recipient shall not use [these] funds to reimburse itself for any costs or expenses, including but not limited to any costs associated with significant changes to the delivery of instruction due to the coronavirus and/or any refunds or

¹ Since the start of this review, the Department has combined all FAQs into one documented entitled: *Higher Education Emergency Relief Fund (HEERF) Frequently Asked Questions (FAQ) Rollup Document* in which question 19 addresses this matter.

other benefits that Recipient previously issued to students.” In summary, providing students less than their full award is a violation of Department guidance and the Funding Certification and Agreement, which the University has signed as a condition to participate in the program.

Based on our review of CARES Act emergency financial aid grant awards to students, and the associated disbursement of those funds, we identified one student who had been awarded at total of \$1,400 (\$900 for the spring and \$500 for the summer session) in emergency financial aid grants. However, those grants had not yet been disbursed to the student. Based on discussions with Student Financial Solutions, it’s our understanding that the student’s account had a manual hold inadvertently placed on their account, which prevented disbursement of the funds to the student. After being made aware of this issue, Student Financial Solutions removed that hold and the funds were made available to the student the next day.

We also identified two students who had received less than their full allocation of CARES Act award funding. Based on discussions with Student Financial Solutions, we understand that this occurred because the ISIS detail codes for these payments were coded in a way that erroneously offset existing balances in the student’s accounts, rather than disbursing the entire amount to the student in compliance with the Act. The details for each of these students are summarized in the schedule below.

Student ID	CARES Act Award Total	Total Paid	Balance Encumbered	Reason
A*****49	\$1,400	\$1,262.25	\$137.75	Summer session tuition
A*****79	\$1,400	\$1,150	\$250	Summer session tuition

The above instances represent a violation of Department of Education guidelines, which specify that recipients are to receive their funds without regard to any institutional balances due.

To address this issue, the two students were notified of the processing error, and the transactions were reversed so that the entirety of the CARES Act funding was disbursed to each student.

Attachment A

HIGHER EDUCATION EMERGENCY RELIEF FUND

Sec. 18004 (of The Cares Act)

- a) IN GENERAL - The Secretary shall allocate funding under this section as follows:
- 1) 90 percent to each institution of higher education to prevent, prepare for, and respond to coronavirus, by apportioning it—
 - A) 75 percent according to the relative share of fulltime equivalent enrollment of Federal Pell Grant recipients who are not exclusively enrolled in distance education courses prior to the coronavirus emergency; and
 - B) 25 percent according to the relative share of fulltime equivalent enrollment of students who were not Federal Pell Grant recipients who are not exclusively enrolled in distance education courses prior to the coronavirus emergency.
 - 2) 7.5 percent for additional awards under parts A and B of title III, parts A and B of title V, and subpart 4 of part A of title VII of the Higher Education Act to address needs directly related to coronavirus, that shall be in addition to awards made in section 18004(a)(1) of this title, and allocated by the Secretary proportionally to such programs based on the relative share of funding appropriated to such programs in the Further Consolidated Appropriations Act, 2020 (Public Law 116–94) and which may be used to defray expenses (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, payroll) incurred by institutions of higher education and for grants to students for any component of the student’s cost of attendance (as defined under section 472 of the Higher Education Act), including food, housing, course materials, technology, health care, and childcare.
 - 3) 2.5 percent for part B of title VII of the Higher Education Act for institutions of higher education that the Secretary determines have the greatest unmet needs related to coronavirus, which may be used to defray expenses (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, payroll) incurred by institutions of higher education and for grants to students for any component of the student’s cost of attendance (as defined under section 472 of the Higher Education Act), including food, housing, course materials, technology, health care, and childcare.
- b) DISTRIBUTION.—The funds made available to each institution under subsection (a)(1) shall be distributed by the Secretary using the same systems as the Secretary otherwise distributes funding to each institution under title IV of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.).
- c) USES OF FUNDS —Except as otherwise specified in subsection (a), an institution of higher education receiving funds under this section may use the funds received to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus, so long as such costs do not include payment to contractors for the provision of pre-enrollment recruitment activities; endowments; or capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship. *Institutions of higher education shall use no less than 50 percent of such funds to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to coronavirus (including eligible expenses under a student’s cost of attendance, such as food, housing, course materials, technology, health care, and child care).*

- d) SPECIAL PROVISIONS. —
- 1) In awarding grants under section 18004(a)(3) of this title, the Secretary shall give priority to any institution of higher education that is not otherwise eligible for funding under paragraphs (1) and (2) of section 18004(a) of this title of at least \$500,000 and demonstrates significant unmet needs related to expenses associated with coronavirus.
 - 2) A Historically Black College and University or a Minority Serving Institution may use prior awards provided under titles III, V, and VII of the Higher Education Act to prevent, prepare for, and respond to coronavirus(e)
- e) REPORT.—*An institution receiving funds under this section shall submit a report to the Secretary, at such time and in such manner as the Secretary may require, that describes the use of funds provided under this section.*

Attachment B

Department of Education Electronic Announcement

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Posted Date: May 06, 2020

Author: Office of Postsecondary Education

Subject: Higher Education Emergency Relief Fund Reporting- Emergency Financial Aid Grants to Students (Updated Sept. 1, 2020)

Note: The information in this Electronic Announcement has been superseded by information posted on Aug. 31, 2020, by the U.S. Department of Education, Office of Postsecondary Education (OPE). More information about the Aug. 31 revised reporting notice is available at <https://www2.ed.gov/about/offices/list/ope/caresact.html> (<https://www2.ed.gov/about/offices/list/ope/caresact.html>).

Section 18004(e) of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act” or the “Act”), Pub. L. No. 116-136, 134 Stat. 281 (March 27, 2020), directs institutions receiving funds under Section 18004 of the Act to submit (in a time and manner required by the Secretary) a report to the Secretary describing the use of funds distributed from the Higher Education Emergency Relief Fund (“HEERF”). Section 18004(c) of the CARES Act requires institutions to use no less than 50 percent of the funds received from Section 18004(a)(1) of the CARES Act to provide Emergency Financial Aid Grants to students for expenses related to the disruption of campus operations due to coronavirus (including eligible expenses under a student’s cost of attendance such as food, housing, course materials, technology, health care, and child care). On April 9, 2020, the Department published documents related to the Emergency

Financial Aid Grants, including a [letter](#)

(<https://www2.ed.gov/about/offices/list/ope/caresactgrantfundingcoverletterfinal.pdf>) from

Secretary Betsy DeVos, a form [Certification and Agreement](#)

(<https://www2.ed.gov/about/offices/list/ope/heerfstudentscertificationagreement42020.pdf>) for signing and returning by institutions to access the funds, and a list of [institutional allocations under 18004\(a\)\(1\)](#)

(<https://www2.ed.gov/about/offices/list/ope/allocationsforsection18004a1ofcaresact.pdf>).

The Certification and Agreement directs each institution applying for HEERF funds to comply with Section 18004(e) of the CARES Act and submit an initial report (the “30-day Fund Report”) to the Secretary thirty (30) days from the date of the institution’s Certification and

Agreement to the Department. The Department will provide instructions for providing the required information to the Secretary in the near future. In the meantime, each HEERF participating institution must post the information listed below on the institution's primary website. The Department would like to receive the most current information from the date when the institution received its allocation for emergency financial aid grants to students, and the institution should have received its allocation within a few days after submitting the Certification and Agreement. Accordingly, the following information must appear in a format and location that is easily accessible to the public 30 days after the date when the institution received its allocation under 18004(a)

(1) and updated every 45 days thereafter:

1. An acknowledgement that the institution signed and returned to the Department the Certification and Agreement and the assurance that the institution has used, or intends to use, no less than 50 percent of the funds received under Section 18004(a)(1) of the CARES Act to provide Emergency Financial Aid Grants to students.
2. The total amount of funds that the institution will receive or has received from the Department pursuant to the institution's Certification and Agreement [for] Emergency Financial Aid Grants to Students.
3. The total amount of Emergency Financial Aid Grants distributed to students under Section 18004(a)(1) of the CARES Act as of the date of submission (i.e., as of the 30-day Report and every 45 days thereafter).
4. The estimated total number of students at the institution eligible to participate in programs under Section 484 in Title IV of the Higher Education Act of 1965 and thus eligible to receive Emergency Financial Aid Grants to students under Section 18004(a)(1) of the CARES Act.
5. The total number of students who have received an Emergency Financial Aid Grant to students under Section 18004(a)(1) of the CARES Act.
6. The method(s) used by the institution to determine which students receive Emergency Financial Aid Grants and how much they would receive under Section 18004(a)(1) of the CARES Act.
7. Any instructions, directions, or guidance provided by the institution to students concerning the Emergency Financial Aid Grants.

***Note:** In preparing the 30-day Fund Report, institutions should use data suppression and other methodologies to comply with, and protect the personally identifiable information from student education records, under the Family Educational Rights and Privacy Act (20 U.S.C. § 1232g; 34 CFR Part 99). For example, the Department does not expect institutions to report information about a group of 10 or fewer students. For example, if the total number of eligible

students, the total of number of students who received Emergency Financial Aid Grants, or the difference between the two numbers is less than 10, then the institution should not display the number of students or the amount of Emergency Financial Aid Grants to students on publicly available website(s) controlled by the institution.

Institutions that accurately report the information listed above will meet the initial reporting requirements. For subsequent reports and reporting for other related HEERF programs, the Department will notify participating institutions of the Department's preferred reporting method. The Department may choose to collect additional information from institutions in accordance with the reporting requirement stated at Section 18(e) of the CARES Act and the Certification and Agreement.

For more information on the HEER, please visit the Department's [CARES Act: Higher Education Emergency Relief Fund](https://www2.ed.gov/about/offices/list/ope/caresact.html) (<https://www2.ed.gov/about/offices/list/ope/caresact.html>) page.

Contact Information

If you have questions about the information in this announcement, contact HEERF@ed.gov (<mailto:HEERF@ed.gov>)

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