September 15, 2023

JAMES ANTONY, PhD.
Dean, Division of Graduate Education and Postdoctoral Affairs (GEPA)
0003

Subject: ***Graduate Division / Graduate Student Funding***
Report 2023-04

The final report for Graduate Division / Graduate Student Funding, Report 2023-04, 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. The findings included in this report will be added to our follow-up system. We will contact you at the appropriate time to evaluate the status of the management action plans.

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 Digitally signed by Christa Perkins
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AUDIT & MANAGEMENT ADVISORY SERVICES

Graduate Division / Graduate Student Funding
Report No. 2023-04
September 2023

FINAL REPORT

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I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a review of Graduate Division / Graduate Student Funding as part of the approved audit plan for Fiscal Year 2022-23. The objective of our review was to assess whether internal controls provide reasonable assurance that Graduate Education and Postdoctoral Affairs (GEPA) business processes are effective and efficient, in compliance with University policies and procedures, and result in accurate financial reporting. The review focused on analyzing the Financial Support Unit (FSU) historical deficit, understanding funding reforms, financial processes and activities, and assessing the unit's financial stability, given the significant historical deficit in FSU core funds.

Based on our review, we concluded that GEPA, particularly FSU, has made significant improvements through graduate student funding reforms to streamline FSU budget models, and developed robust financial management practices that provide reasonable assurance that operations are effective, in compliance with University policy, and result in accurate financial reporting.

The structural FSU deficit was caused due to multiple factors, including inconsistent/inadequate budgeting practices, vacancies in FSU Director position and corresponding financial oversight, former funding policies that built-up FSU supported tuition/fee costs, and inadequate central deficit monitoring procedures. The implementation of UCPath, and Oracle Financial Cloud (OFC) Financial Information System (FIS), in June/July 2020, created challenges with graduate student payment process that required timely resolution, and diverted FSU team resources to OFC stabilization. OFC also created challenges campuswide with the new chart of accounts (CCOA), integration, financial reporting capabilities, and a significant learning curve for financial administrators, including GEPA. However, over the last few years, budget models, graduate student funding reforms, and financial practices have evolved and, coupled with deficit support funds from EVC, have helped to reduce the overall deficit balance. As of March 2023, FSU had an overall core funds deficit balance of $3.5M, and there are pending allocations from the EVC for FY2023 which would further reduce the deficit. The overall balance in the NOR for FSU reflected a positive balance of $1.9M, primarily due to a $4M positive balance in other unrestricted operating funds.

GEPA faces a shifting landscape, and as of December 23, 2022, the new collective bargaining agreements for Academic Student Employees (ASEs) and Graduate Student Researchers (GSRs) went into effect, and some portions of the contracts, including wages, will be phased in over time. The basic principles of the graduate funding reforms remain in effect, and UCSD will continue to offer all incoming Doctoral (PhD) and MFA students a five-year (three-year) funding guarantee for the academic year. There may be considerations for funding/budget impacts for GEPA as the new contracts take effect, for example, tuition/fees covered under the student reforms, support for Non-Resident Supplemental Tuition (NRST) and local policy, and childcare reimbursement costs.

Also, a new Student Information System (SIS) is to be implemented, and the SIS ecosystem includes replacing ISIS, and potentially implementing Oracle Student Financial Planning (SFP) to replace ProSAM (current financial aid system), which would involve updating the Graduate Financial Support and Payments Tool (FSPT, formerly Financial Support Request Tool or (FSRT)) to work both with OFC and new financial aid system.

However, there are still deficits that need to be managed, both for GEPA Student Support and FSU. FSU team continues to evaluate and optimize available funding sources (such as the Return to Aid, and gift funds) to support student costs and manage deficits. A deficit repayment plan is being finalized between FSU and EVC, which will impact financial projections in the coming years. Additionally, there are known gaps with tuition remission that have a significant financial impact for FSU and are being continually tracked and evaluated for resolution. Management Action Plans to address these findings are summarized briefly below.

A. Deficits and Financial Management

1. FSU will finalize a repayment plan with the EVC for the $16M deficit support.
2. GEPA Student Support and FSU will resolve the deficits in their FinU(s) in accordance with policy.
3. The EVC Business Office will re-evaluate the two recharge activities with the Dean, and take action to resubmit recharge rate proposal, as appropriate.
4. FSU will continue to analyze FSU projects and financial activity, and better align available resources and commitments. This will include analysis of the Block Grant budget allocation since FY2021 to ensure budget was adequate to support allocations to departments, and coordinate with EVC for any shortfalls, as appropriate.

B. Tuition Remission

1. FSU is actively monitoring tuition remission issues, and will continue to evaluate solutions with leadership and campus partners to co-manage the process deficiencies, and/or financial impact.
2. FSU will continue discussion with Internal Controls & Accounting (ICA) to reconsider whether the current mechanism used to capture tuition activity (account codes) is optimal for tracking this activity.

Observations and related Management Action Plans are described in greater detail in Section V of this report.

In addition, Section VI provides an expanded discussion of the issues which resulted in the historical deficit, and areas where more recent changes in funds flow and funding models will ensure increased clarity of the FSU financial position going forward.

II. BACKGROUND

Audit & Management Advisory Services (AMAS) has completed a review of Graduate Division / Graduate Student Funding as part of the approved audit plan for Fiscal Year 2022-23. This report summarizes the results of our review.

The Division of Graduate Education and Postdoctoral Affairs (GEPA) team is a central campus resource that collaborates with students, faculty, and staff on a range of different topics, including admissions, professional development, fellowship support, graduation requirements, academic program reviews, student affairs, and aims to be the main resource for all matters related to graduate education and postdoctoral affairs. The GEPA team includes the following units:

- Academic Affairs – provides support for enrollment and registration, graduate academic policies and procedures, program reviews, academic probation and exception petitions.
- Admissions – provide graduate student application management, support and information for prospective students, and degree programs.
- Dean's Office – oversees of graduate program reviews, analysis of new academic programs, review of student Master's degrees and non-routine matters.
- Financial Support Unit (FSU) – provide merit-based financial support, financial support planning, advising and analysis, oversee graduate student appointment policy, tuition and fee remission program support, fellowship stipend and fee payment coordination.
- Postdoctoral Scholar Affairs –provide guidance and expertise, foster professional advancement and enrich the community for postdoctoral scholars, review postdoctoral scholar appointments, and provide administrative and management oversight on policies, guidelines, and collective bargaining agreements.
- Student Affairs – Diversity programs, collective bargaining, outreach and recruitment, student conduct, retention and student services workshops, etc.

A Graduate Council makes recommendations to systemwide Senate for the establishment of new graduate programs; approves changes to existing graduate programs; approves proposals for new graduate courses and changes to existing graduate courses; conducts regular reviews of current graduate programs; block grant; makes recommendations to the Dean of Graduate Division regarding distribution of graduate student fellowship funds; and approves text describing graduate programs, schools, and colleges in publications.

Graduate Division Student Support (GEPA Student Support)

The EVC Business Office provides business and administrative services for GEPA Student Support (Financial Units (FinUs):1000241 Graduate Division, 1000214 Graduate Division Office, 1000216 Graduate Dean Fin Aid Employment, and 1000217 Graduate Division Operations). Funding support is received from Application Fees (approximately $2M), and core funds budget ($2M), to support payroll expenses for the GEPA unit, operating expenses, and some graduate student fellowship and fee costs. As of March 2023, GEPA Student Support had total resources available of $4.2M (based on the Net Operating Results and Fund Balance Report).

Financial Support Unit (FSU)

Graduate Student Financial Support (FinU 1000215) financial oversight is under the FSU unit. The FSU Director initially reported to the GEPA Dean, but transitioned to the EVC Resource Administration (as of April 1, 2022), in an effort to provide additional financial support and oversight for FSU.

The FSU budget has historically included multiple funding models, some of which have been discontinued, reduced in terms of the budget that flows through FSU, and/or evolved over the last few years:

- Teaching Assistants (TA) Fee Remission (TAFE), and TA Health Insurance (TAHI): funding through the EVC to support tuition remission costs for Teaching Assistants that were employed for 25% or more during the quarter. This funding model ended after FY2021.
- TA Allocation model (TA-FTE): pass through allocations from FSU to departments starting FY2022 ($26M), to support funds to hire TAs for undergraduate and graduate courses. Starting FY2024, these costs will flow directly through Executive Vice Chancellor, Academic Affairs (EVCAA) office to the departments/divisions.
- Block Grant (BG) funding: pass through allocations from FSU to departments for student support costs, based on an allocation model starting FY2019. The budget that flows through FSU has been reduced drastically over the last few years.
- Masters Growth Incentive Program (MGIP): provides a budget structure that supports the growth of students seeking master's degrees by directly returning some of the tuition to departments, divisions and fellowships. Approximately $2M-$3.8M is received by FSU under this model.
- Return to Aid (RTA): funds allocated annually (approximately $1.1M) through the Vice Chancellor Student Affairs, as a portion of the campus-based fees paid by grad students (Transportation Fee, Canyon View Facility Fee, University Centers Facility Fee, and the Student Mental Health Fee).
- Diversity Funding: for FY2023, a $2M diversity incentive was implemented that is allocated to departments through FSU ledger. Departments receive $30K annual fixed allocation of diversity incentive money to achieve the university's goals of recruiting, retaining, and graduating an increasingly more diverse graduate student cohort. FSU retains a portion of the diversity funding ($800K for FY2023).
- Gift Funds: FSU has a healthy gift fund balance (approximating $4M in expendable balance as of May 2023), which can be used to support student costs, consistent with the gift purpose and any restrictions regarding their use.

FSU had a history of significant deficits in their core funds, with overall deficit balance starting in FY2019 and growing significantly in subsequent years, which raised concerns among campus leadership in relation to the financial management and cause for the structural deficit. The table below summarizes the total balance in FSU's core funds over the last few years:

FY	2017	2018	2019	2020	2021	2022	2023 (though March 23)
Core Funds Balance	$5,328,702	$3,491,998	($7,302,184)	($22,204,092)	($25,350,478)	($23,138,981)	($3,471,612)

FSU received a one-time EVC deficit allocation of $16M in December 2022 to help reduce its overall core fund deficit. In addition, FSU's budget models, graduate student funding reforms, and financial practices have evolved, which reduce the funding passing through FSU and providing more clarity into the unit's financial reporting.

Graduate Division Systems

There are multiple systems involved in the processing of fellowship payments and tuition/fees for graduate students:

- Financial Support Request Tool (FSRT) - a custom-built web application used to schedule fellowship stipend, fee, and tuition remission payments. Departments enter the tuition/fees/fellowship payments into FSRT, which are then reviewed by FSU team in FSRT, and payments are processed to the student account (ISIS) based on the amounts captured in the FSRT for the student.
- Professional Student Aid Management (ProSAM) - the centralized system used to disburse need-based (financial aid) and merit-based (financial support) funding to students. Support requests (submitted by departments) in FSRT are transferred (by FSU) to ProSAM for packaging; and automated jobs then post transactions via the student and financial information systems.
- Institutional Student Information System (ISIS) - the centralized system used to manage student registration, academic, and billing data. Tuition and fee transactions are posted to student billing accounts in this system (includes both charges and payments/credits). Fellowship stipends are posted to student billing accounts in this system and paid out to students as refunds, except for international, non-resident student fellowship stipends, which are paid via OFC, not ISIS, to accommodate tax withholding requirements (using a vendor system, Glacier).

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The objective of our review was to assess whether internal controls provide reasonable assurance that GEPA's business processes are effective and efficient, in compliance with University policies and procedures, and result in accurate financial reporting. The review focused on analyzing FSU's historical deficit, understanding funding reforms, financial processes and activities, and assessing the unit's financial stability, given the significant historical deficit in FSU core funds. In order to achieve our objective, we performed the following:

- Reviewed documentation and information on GEPA's website, and FSU collab sites;
- Discussed GEPA Student Support, FSU processes, funding reforms and models, tuition remission, deficit history, and financial management with the following personnel:
  - Director, Executive Vice Chancellor (EVC) Resource Administration, Budget and Financial Management;
  - FSU Director and financial staff; and
  - Business Officer and Fiscal Operations Manager, EVC Business Office.
- Obtained information on GEPA related past or current projects from the following:
  - Associate Controller, Internal Controls & Accounting;

 - Senior Director, Campus Accounting and General Ledger; and
 - Operational Strategic Initiatives (OSI).
- Evaluate financial activity for FSU and GEPA Student Support:
 - Net Operating Results and Fund Balance Report (NOR) for FSU and GEPA Student Support for FY2021, FY2022, and FY2023 (as of March 2023, and May 2023);
 - Financial Link Operating Ledger Activity reports for FSU core funds for FY2013 to FY2020;
 - GL Table and Fund Summary Report for FSU for FY2021, FY2022, and FY2023 through March 2023;
 - Deficit reports (Operating Funds) for FSU and GEPA Student Support as of March and May 2023;
 - Deficit reports (sponsored projects) for GEPA Student Support and FSU as of April 2023,
 - Gift Fund Balances report for GEPA as of May 2023;
 - GL-PPM Reconciliation, and Default Payroll reports for GEPA Student Support and FSU as of May 2023; and
 - Sponsored project management dashboard for FSU as of March 2023.
- Reviewed the overdraft policies, and discussed current and historical overdraft monitoring processes with:
 - Controller;
 - Associate Controller, Internal Controls & Accounting; and
 - Associate VC, Campus Budget Office (CBO).
- Discussed sponsored project 000 balances significance with Senior Director, Financial Operations, PPM Strategic Design;
- Obtained and evaluated FY2024 budget entry spreadsheet prepared by FSU team;
- Selected a sample of students from FY2022 and/or FY2023 from FSRT, and validated tuition remission and fellowship payments were in accordance with established processes;
- Selected a sample of expenses posted for fellowships on FSU funds, and reviewed for reasonableness; and
- Evaluated expenses on an NSF award for reasonableness, and allocability/allowability on the award.

IV. CONCLUSION

Based on our review, we concluded that GEPA, particularly FSU, has made significant improvements through graduate student funding reforms to streamline FSU budget models, and developed robust financial management practices that provide reasonable assurance that operations are effective, in compliance with University policy, and result in accurate financial reporting.

The structural FSU deficit was caused due to multiple factors, including inconsistent/inadequate budgeting practices, vacancies in FSU Director position and corresponding financial oversight, former funding policies that built-up FSU supported tuition/fee costs, and inadequate central deficit monitoring procedures. The implementation of UCPath[1], and Oracle Financial Cloud (OFC) Financial

[1] On June 1, 2020, UCSD went live with UCPath, UC's system-wide human resources (HR) and payroll system, replacing the nearly 40-year old Payroll and Personnel System (PPS).

Information System (FIS)[2], in June/July 2020, created challenges with graduate student payment process that required timely resolution, and diverted FSU team resources to OFC stabilization. OFC also created challenges campuswide with the new chart of accounts (CCOA), integration, financial reporting capabilities, and a significant learning curve for financial administrators, including GEPA. However, over the last few years, budget models, graduate student funding reforms, and financial practices have evolved and, coupled with deficit support funds from EVC, have helped to reduce the overall deficit balance. As of March 2023, FSU had an overall core funds deficit balance of $3.5M, and there are pending allocations from the EVC for FY2023 which would further reduce the deficit. The overall balance in the NOR for FSU reflected a positive balance of $1.9M, primarily due to a $4M positive balance in other unrestricted operating funds.

GEPA faces a shifting landscape, and as of December 23, 2022, the new collective bargaining agreements for Academic Student Employees (ASEs) and Graduate Student Researchers (GSRs) went into effect, and some portions of the contracts, including wages, will be phased in over time. The basic principles of the graduate funding reforms remain in effect, and UCSD will continue to offer all incoming Doctoral (PhD)(and MFA) students a five-year (three-year) funding guarantee for the academic year. There may be considerations for funding/budget impacts for GEPA as the new contracts take effect, for example, tuition/fees covered under the student reforms, support for Non-Resident Supplemental Tuition (NRST) and local policy, and childcare reimbursement costs.

Also, a new Student Information System (SIS) is to be implemented, and the SIS ecosystem includes replacing ISIS, and potentially implementing Oracle Student Financial Planning (SFP) to replace ProSAM (current financial aid system), which would involve updating the Graduate Financial Support and Payments Tool (FSPT, formerly Financial Support Request Tool or (FSRT)) to work both with OFC and new financial aid system.

We noted that FSU efforts go beyond financial management, and they continually explore options to improve oversight for compliance to identify exceptions to graduate student fellowship and employment policies, for example, developing reports to identify students with discrepancies between graduate financial support, academic eligibility, employment, and/or number of units registered, and communicating this with department graduate coordinators for resolution. FSU also invests in improving reports for department users, and earlier this year, the Graduate Student Funding report was released to production, to provide additional visibility for departments to verify funding sources for graduate students.

However, there are still deficits that need to be managed, both for GEPA Student Support and FSU. FSU team continues to evaluate and optimize available funding sources (such as the Return to Aid, and gift funds) to support student costs and manage deficits. A deficit repayment plan is being finalized between FSU and EVC, which will impact financial projections in the coming years. Additionally, there are known gaps with tuition remission that have a significant financial impact for FSU and are being continually tracked and evaluated for resolution. These observations are discussed further in greater detail in section V of the report.

[2] The Financial Information System (FIS) project, implemented July 1, 2020, provided a new information system for the general ledger, expense and revenue management, financial reporting and budget governance, and Travel & Expense (Concur) for the general Campus, UCSD Health, and UCSD Foundation.

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

A.	Deficits and Financial Management
There are deficit balances in GEPA Student Support and FSU that need to be managed. In addition, there is an opportunity to analyze and organize financial activity in FSU to better align expenses with funding sources.	
Risk Statement/Effect	
Deficits should be managed in accordance with the Overdraft Policy, and timely resolved for effective financial management.	
Management Action Plans	
A.1	FSU will finalize a repayment plan with the EVC for the $16M deficit support.
A.2	GEPA Student Support and FSU will resolve the deficits in their FinU(s) in accordance with policy.
A.3	The EVC Business Office will re-evaluate the two recharge activities with the Dean, and take action to resubmit recharge rate proposal, as appropriate.
A.4	FSU will continue to analyze FSU projects and financial activity, and better align available resources and commitments. This will include analysis of the Block Grant budget allocation since FY2021 to ensure budget was adequate to support allocations to departments, and coordinate with EVC for any shortfalls, as appropriate.

A. Deficits and Financial Management – Detailed Discussion

Deficit Balances

University policy, PPM 300-2, Financial Deficit Policy, requires financial deficits to be "routinely monitored at the level of the Department Chairs and Business Officers; and written plans to resolve deficits are prepared and submitted to the Department Chair/Designee and Dean/Vice Chancellor for review and approval when deficit balances are larger than $25,000…." Units will not be permitted to carry over Financial Deficits exceeding $25,000 without a deficit resolution plan which "must be in place before the end of the third quarter of the fiscal year in order to be carried forward to the next fiscal year. All rollovers plans must be formally submitted by March 31 to the Campus Budget Office for initial review and approved by the CFO."

University policy, Business & Finance Bulletin (BFB) A-56: Academic Support Unit Costing and Billing Guidelines, states that: "Recharge activity shall be operated on a no-gain/no-loss basis. Any surplus or deficit occurring in any one year shall be corrected by adjustment of rates in the succeeding year to achieve a break-even balance at the succeeding year end. Every effort should be made to ensure that year-end surpluses or deficits do not exceed one month of the recharging unit's activity…"

<u>FSU</u>
As of May 2023, the Financial Deficit Report (Operating Funds) for FSU identified the following deficits over $25,000[3]:

Financial Unit Code	Fund Code	Fund	Resources Available
1000215	13991	University Core Funds	($3,062,717.68)
1000215	13034	Systemwide Assessment Fund	($1,399,693.41)

The 13034 Fund is for the UC initiatives, but also has resources that posted to core fund (13991), which collectively result in an overall positive balance for this category. For the remaining deficits, FSU is actively evaluating other available (non-core) fund sources, including Return to Aid funds, and gift funds, to support student costs initially paid from core funds (resulting in core funds savings).

We noted that the May 2023 NOR for FSU shows an overall positive balance of $1.5M (for all fund categories combined), primarily since there are other unrestricted fund sources (such as the RTA funds) that have an overall significant positive balance of $3.7M. We also noted pending allocations for Return to Aid funds for FY2023, as other (non-core) unrestricted funds, approximating $1.1M (based on FY2022), that will contribute to increasing the overall balance for FSU.

There are pending allocations from EVC for the following activities that should reduce the overall core funds deficit balance:

- TA-FTE allocation: a budget shortfall of $3.8M was identified by FSU Director, and allocation is pending from EVC for FY2023.
- COVID Non-Resident Student Tuition (NRST): This was a temporary program implemented for COVID NRST waiver extension during the pandemic. Expenses of $868,365 have posted since FY21 on FSU accounts as of May 2023, but a corresponding allocation is still pending. FSU has budgeted an allocation of $1.2M for FY2024 based on actual and projected expenses.

In addition, it appeared that the Block Grant budget and allocations that flowed through FSU since FY2021 were not fully reconciled, and analysis is pending to confirm that FSU's budget was adequate to cover allocations out to departments.

However, there are allocations pending from FSU for FY2023 diversity funding ($1.1M) to departments that will reduce their available resources. Another consideration is that overdraft reports are based on the managerial hierarchy, which excludes shortfalls in the tuition remission process (described further in the subsequent observation). FSU has considered these shortfalls for future budget cycles, and is actively seeking solutions to manage these issues. However, decisions by leadership on resolution of these tuition remission shortfalls is pending, and may have an impact on FSU's deficit management plan and projections.

[3] Gift fund balances were evaluated by running a separate Gift Fund Balances report that captures the Foundation and Campus expendable balances.

The EVC allocated $16M to FSU in November 2022, in support of their deficit resolution. A deficit repayment plan is being finalized with EVC to repay this plan, tentatively through a combination of a yearly five-year repayment amount, and loan forgiveness.

FSU financial projections indicate achieving an overall positive operational balance by FY2025 (in terms of annual resources and expenses). The table below is a high-level summary of FSU's resources (all funds), and expenses for FSU based on steady state in resources and funding reforms, but can be impacted by future decisions on tuition remission solutions, repayment plan finalization, etc. FY2024 expenses are high as legacy fellowship costs are expected to peak, and anticipated to drop off after FY2025.

Preliminary Data

	FY2024	**FY2025**	**FY2026**	**FY2027**
Resources	$9,983,856	$9,983,856	$9,983,856	$9,983,856
Resource Transfers	($2,032,500)	($2,032,500)	($2,032,500)	($2,032,500)
Projected Expenses	($9,305,478)	($6,810,307)	($4,152,814)	($4,157,746)
Net impact	*($1,354,122)*	*$1,141,049*	*$3,798,542*	*$3,793,611*

**Source FSU*

GEPA Student Support

As of May 2023, the Financial Deficit Report (Operating Funds) for GEPA Student Support identified the following deficits over $25,000:

Financial Unit Code	**Fund Code**	**Fund**	**Resources Available**
1000214	13991	University Core Funds	($375,812.66)
1000241	12304	Misc Sales of Goods/Svcs Fund	($151,411.60)
1000241	14804	Supplemental Application Fee	($46,963.66)
1000214	12100	Recharge Operating Fund (Project 1003864 – REC Visiting Grad Scholars Prog)	($96,984.29)
1000214	12100	Recharge Operating Fund (Project 1022817 – REC SSA Grad Prof Degree Resch Su)	($545,880.50)

The NOR for GEPA Student Support shows an overall positive balance of $3.7M as of May 2023, but there are some projects in deficit due to legacy fellowships/programs (STARS and CSUA Summer), and would require processing cost transfers or fund swaps to manage the deficit.

We noted that there were two recharge activities: Visiting Scholars Program, and Graduate Professional Degree program, but recharge rates have not been revised in several years, possibly since the recharge unit inception over ten years ago. University policy requires that recharge rates be evaluated annually and adjusted to account for any changing costs and volume, but it does not appear this has been consistently performed for these two recharge activities.

FSU - Financial Management

FSU continues to evaluate projects and historical activity, and better align expenses to available resources by consolidating balances and/or creating new projects to track costs. There are some projects, such as UC Mexus, and joint doctorial programs, that are being researched further to identify commitments, and optimize usage of resources. UC initiatives costs and resources are being captured in different projects and funds (13991 and 13034), and there could be an opportunity to manage these within the same fund.

In addition, there are some projects with large positive balances (for example, projects 1006108 and 1006190 - with $1.3M balance in each) with little to no activity post-OFC, and can be evaluated further to see if there is an opportunity to consolidate balances into other existing projects, effectively align available resources with costs, and streamline project activity. There are also several projects with $0 balances that FSU continues to evaluate for inactivation as they analyze the funds.

B.	**Tuition Remission**
Tuition Remission for students is a complex process with known gaps and limitations that have financial implications for FSU that need to be managed. In addition, we noted that tuition remission account codes were balance sheet account entries that are not considered part of the managerial hierarchy, which prevented any financial shortfalls in the tuition remission process from being captured in overdraft reports typically used to monitor financial activity centrally.	
Risk Statement/Effect	
There is a significant financial impact on FSU's accounts from the known tuition remission issues if not effectively managed. The lack of inclusion of tuition remission account codes in the financial overdraft reports results in gaps in effectiveness of central deficit oversight.	
Management Action Plans	
B.1	FSU is actively monitoring tuition remission issues, and will continue to evaluate solutions with leadership and campus partners to manage the process deficiencies, and/or financial impact.
B.2	FSU will continue discussion with ICA to reconsider whether the current mechanism used to capture tuition activity (account codes) is optimal for tracking this activity.

B. Tuition Remission – Detailed Discussion

Tuition Remission Issues

All tuition and fees charges for GSRs and Instructional Assistants (IAs) eligible for tuition remission initially post to FSU accounts (to Fund 13039, Account Code 120023). The setup allows a timely payment to the student's account ahead of the student billing deadlines, and before UCPath entries are finalized. Over $70M is processed in tuition costs through FSU accounts annually. Tuition remission is then processed by FSU (using account codes 120010 (GSRs) and 120021 (IAs)). GSR remission is monthly in the corresponding month the GSR is paid, and for IAs, the remission is processed every quarter. Although GSRs tuition has historically been covered, tuition remission for IAs started in Fall 2021, when the proportional split model was implemented (the legacy TAHI/TAFE model was in place prior to that).

For IAs, the actual cost of eligible tuition is distributed proportionally. For GSRs, the fund source that pays the GSR salary is assessed an average monthly charge for the costs of GSR tuition-and-fee remission (GSRTF), using "pooled rates." There are seven separate GSRTF pools (for six departments and a general graduate program) that is proportionally split based on the GSR's funding source. Each GSRTF pool's annual charge is calculated by summing the projected tuition and fees to be paid by all GSRs in the specific graduate group in the upcoming year, adding any deficit or subtracting any surplus from the group's previous year's account, and dividing this number by the projected number of eligible GSRs. However, for FY2023, the pooled rate was based on the prior rate with an escalation for fees increase, so as to allow timely posting of GSRTF to the ledgers, and the prior-year delta between actual costs and recovery rate was not updated. FSU anticipates resuming the full recalculation for future cycles.

FSU utilizes DOPES (distribution of payroll expenditure) data, and tuition costs associated with each student are redistributed according to the funding associated with each job code, taking into account the effort of each position in proportion to the total effort of all positions. Custom reports in Cognos are used to join data, run calculations, and produce an MCI (Miscellaneous Cost Import) file to load the tuition costs to OFC.

However, there are currently known limitations with the tuition remission process that financially impact FSU's ledger. Some of these include:

- _Tuition remission for IAs who are positive time reporters (hourly) or bi-weekly employees_: The actual tuition cost is posted to FSU's accounts, but currently, the mechanism used to redistribute charges for positive time reporters/hourly employees proportionally is complex, and tuition is not being redistributed to departments. FSU estimates approximately $500K per quarter ($1.5M for the academic year) is not being recouped for bi-weekly/hourly employees.
- _Social Security Number (SSN) and Student ID (PID) mismatch_: This is considered an identity management issue, and anticipated to be addressed by the implementation of the ESR Enterprise Identity Management (EIM)[4] project. ISIS has PID and SSN, and UCPath has Employee ID and SSN. There could be blank SSNs in either ISIS or UCPath, or both (this issue primarily applies to international students – who typically do not have an SSN upon admission). A mismatch between IDs in those systems used for matching data prevents the salary data from being pulled into FSU's remission report, resulting in remission not being redistributed (proportionally) to the student's funding source(s). This issue started in May 2022 when FSU updated the remission report to add in the PID field, and FSU has estimated $2.4M that has not been appropriately redistributed for tuition remission.
- _Pooled rate versus actual costs for GSR tuition remission_: As described earlier, GSRs tuition is remitted using pooled rates, rather than actual costs, which may result in an over/under recoupment for GSR charges. This needs to be evaluated and adjusted for future rates/cycles.
- _Short Work Break (SWB):_ When students go on SWB (generally in June of each year), and their appointment falls below 25%, the remission would not be calculated and redistributed to the appropriate funding source(s).

[4] EIM is planned to go-live in Summer 2023, with scope to include: standardizing and automating account creation and provisioning for students and employees; unifying an individual's identity history; implement a new, standardized account claim process.

FSU is actively tracking these issues, and is exploring solutions to manage these issues (for example, through policy changes to simplify the remission process, determining/updating requirements, automating reports, additional annual budget requests, etc.) that will be presented to management for consideration.

Use of Tuition Remission Account Codes (120023/120021/120010)

FSU is charged tuition costs for GSR and IA's as per amounts added into FSRT. Tuition remission is a significant financial activity, with nearly $72M being charged to FSU's accounts for FY2022, and $73.5M for FY23 (as of March 23), and costs are captured using specific account codes (120023 for tuition charged to FSU accounts, and 120021/120010 for tuition remission as charges are redistributed according to the proportional split model). However, these account codes are not considered part of the managerial hierarchy and are instead captured as part of FSU's balance sheet.

The table below captures the tuition remission account code charges and recoupment for FY2022, and FY2023 as of March 2023. There is a $1.7M shortfall from FY2022 that could be because of a combination of tuition remission issues identified in the earlier section. As of March 2023, it appears that there is a large balance that needs to be recouped, but there are charges for Spring quarter that have posted to FSU's accounts in February/March 2023. Recoupment is pending and will occur over the course of the April-June quarter (IAs are not recouped until end of quarter in June, and GSRs are recouped monthly over the three months). Therefore, a complete picture for FY2023 can be better assessed after June 2023 remission is processed.

Account Code	FY2022	FY2023 (through Mar 2023)
120023 (tuition charges on FSU ledger)	$ 71,908,227.43	$ 73,549,020.22
120010 (GSR remission)	($36,893,455.03)	($23,710,472.91)
120021 (IA remission)*	($33,342,660.16)	($23,669,943.57)
Net impact (shortage)	$ 1,672,112.24	$ 26,168,603.74

The financial overdraft reports are pulled using the managerial hierarchy, and therefore, any financial shortfalls of the tuition remission process (as described above), would not be captured in the overdraft reports. Although FSU has been diligent in identifying these shortfalls, gaps in the tuition remission process that have a financial impact will not be captured in financial overdraft reports available through the Activity Hubs, which may impact campus visibility into such financial shortfalls. However, adding tuition activity to operational financial reports may result in large fluctuations in balances due to the timing delay between tuition charges, and tuition remission postings.

VI. EXPANDED DISCUSSION – HISTORICAL DEFICIT ISSUES

One objective of this review was to analyze FSU's historical deficit, to achieve a better understanding of causes of historical deficits. This section presents an expanded discussion of these issues, and areas where more recent changes in funds flow and funding models will ensure increased clarity of the FSU financial position going forward.

FSU core funds had an overall deficit of $7.3M starting in FY2019, growing to $22.2M in FY2020, and reaching $23M in FY2022. The funds that primarily contributed to the deficit were related to the TAFE/TAHI model ($25M in FY2020), and legacy fellowships ($4.4M in FY2020), that were carried forward post OFC implementation.

A financial breakdown of the different funding categories/models for FSU (TAFE/TAHI model, Block Grant, Legacy Fellowships, Other Fellowships, and UC Mexus/UCOP Initiatives) is presented in ***Attachment A***.

Budgeting Practices and Financial Oversight

It was noted that FSU was historically under budgeted for the permanent - budget cycles, with the expectation that one-time allocations would be processed towards the year-end to account for any shortfalls in the funding models (primarily for TAFE/TAHI and Block Grant model). The year-end amounts were requested by the former FSU Director (ranging from $20M-23.5M per FY), but the basis for determination of the amounts requested in prior years was unclear. Starting FY2020, the EVCAA changed this practice by increasing the permanent budget for FSU, such that corresponding one-time adjustment amounts would be lowered. However, the one-time allocations for FY2020 and FY2021 were not requested due to the FSU Director position turnover and prioritization towards issues related to OFC stabilization. An $18M one-time adjustment entry was processed in FY2022 ($9M for FY2020, and $9M for FY2021), likely an estimation based on prior allocations. Although these adjustments, if posted timely in the relevant FY, would have lowered the deficit balance, it would still not have resolved it fully.

It is unclear how budgets were attributed to the different funding models, but we noted internal budget adjustments within core funds that contributed to the deficit balance in the TAFE/TAHI funds (discussed further under Funding Models section). Realignment entries were processed by the former FSU Director, but the reasoning and organization of funds were not well documented or understood by anyone outside of the former FSU Director, who retired in September 2018.

It was also noted that the FSU Director position was vacant from September 2018 through January 2019 (four months), and the new Director had limited available documentation and history of FSU's funding practices and budgeting process. This Director also separated in August 2019, and the position was vacant until April 2020 (eight months). The turnover, and significant time gaps in FSU Director position being vacant negatively impacted financial oversight over the unit. Limited documentation and knowledge of FSU funding practices resulted in additional challenges for the incumbent Director to familiarize with relevant policies, processes, and financial models. There were also financial commitments that the former FSU Director had established over the years that were not initially transparent to the new management team due to how these commitments were being absorbed within other funding models.

OFC Implementation

We also noted that the timing for the incumbent FSU Director was just before OFC implementation in July 2020, and the position was vacant for several months prior while OFC implementation was underway. This may have resulted in gaps in consideration of FSU's requirements, processes, and integrations with other systems for the OFC implementation. One critical issue that resulted from post go-live pertained to the development of specific detail codes (e.g., Award Definition (AIDID)) and indexes to allow processing and posting of student payments (described further below). This resulted in diverting FSU staff resources from financial management to address critical OFC stabilization issues to ensure that students were paid timely.

Prior to the OFC implementation, department users would enter (FinLink) index information in FSRT to identify the funding source for student fellowship payments. FSU staff would then work internally to create (as appropriate) or locate the detail code and AIDID for the index, and add the AIDID to FSRT, for upload into ProSAM.

However, with the OFC implementation and new CCOA, indexes were no longer used, and there was no documented plan to accept the new CCOA within FSRT, or to set up detail codes and AIDIDs. Additionally, until a new SIS is fully configured and implemented, ISIS to OFC integration requires a "faux index" to be set up for each unique chart combination (where no legacy chart combination exists).

The new system pressured FSU to address the process gaps so that student payments could be set up in the systems and paid timely. There were multiple issues, and temporary solutions (including use of Google Forms to capture chart string information) were developed, but validation of CCOA entries remained problematic. It was not until May/June 2021 that an OFC report was built to allow chart string validation, but the validation process and AIDID development remained a manual, inefficient process. Starting FY2022, the FSU team worked diligently to automate the chart string validation, AIDID creation and upload to ProSAM. An automated solution, GSAS (Graduate Student Accounting Setup), was rolled out in two phases to streamline this process (in March and September 2022), freeing up FSU resources to focus on FSU financial management.

For FY2021, given the uncertainties in chart validation and prioritizing timely payments to students, departments were directed to either use their discretionary fund sources, or FSU's projects (projects 1006114/1006115) to process stipend and fee payments. This significantly increased expenses posted to FSU's ledger in FY2021 and added to the deficit, until corrections were processed in FY2022.

Historical Deficit Monitoring Process

Effective February 2017, a Funds Management (Overdraft) Policy (PPM 300-2) defined overdrafts and management responsibilities for resolving and reporting overdrafts across the UCSD campus. Vice Chancellors/Deans were responsible for ensuring that overdrafts were routinely monitored at the Department Chairs' and Business Officers' level and written plans to resolve overdrafts submitted. The policy also set the Controller's responsibility "for ensuring that final resolution is effectively achieved." This included ensuring that: system support tools provided timely information to report overdrafts, there was support for the development of written action plans (for overdrafts greater than $50,000 or five percent of Funds FY budget), and that Controller partnered with appropriate Administrative Official to ensure that appropriate corrective actions were taken. However, although an overdraft reporting tool was implemented, after the first year, it was realized that it was not practical for the Controller's Office to monitor overdrafts, and discussions were initiated to shift this responsibility to the Campus Budget Office (CBO) as part of their budget cycle discussions. The overdraft monitoring process was evolving after the first year, and although a revised policy was only released effective January 2021 to shift monitoring responsibility to the CBO, the Controller indicated that monitoring by CBO had been initiated prior to that, and only formalized in policy afterward.

We followed up with CBO, who shared deficit explanations received from GEPA since the overdraft policy was issued (generally around March of each FY). For FY2018, FY2019, and FY2020, the deficit explanations received were that it would be resolved by year-end, but it does not appear that this was followed through to ensure that deficits were effectively managed. Because of the challenges with OFC transition, the overdraft policy was not enforced for FY2021, and deficit rollover requests were not requested.

Active discussions were initiated in early FY2022 regarding deficits in various VC areas, including the FSU deficit. CBO created a quarterly Risk Registry to identify and track higher-risk financial activity (criteria include rapidly growing deficits, selected research cores/recharge deficits over $500K, sponsored deficits on ended awards, activities affected by pandemic closures, etc.), and FSU's deficit was included in the registry. Starting the second quarter of FY2023, the registry is being sent to each VC unit, with a copy to the Chief Financial Officer (CFO) and the VC's Financial Officers. Additionally, beginning with the FY2024 budget cycle, VC units are required to report on any activities that were in deficit as of June 30, the prior fiscal year, and remain in deficit as of the second quarter of the current fiscal year (thus appearing to be a true deficit, not timing, accounting error, etc.). This list of activities is a separate process from the Risk Registry, and each VC unit, as part of their budget presentation, would be required to cover the major drivers or causes of the deficit; management actions currently underway, and the timeline for resolution. It appears that deficit reports, tools, and follow up practices by CBO have evolved over the years with a goal of providing more robust deficit monitoring practices.

FSU Funding Model – History/Reforms

FSU's budgets have been historically complicated by multiple funding models, and inadequate budgeting practices. These have evolved over the last few years, resulting in a more streamlined and simplified funding model.

The table below captures the budget allocations for core funds for FSU since FY2018, including preliminary budget entries for FY2024. The budget FSU is expected to have decreased significantly starting FY2023 onwards, as there will be limited funding flowing through FSU as pass-through allocations to departments.

	Perm Budget[5]	Other Allocations IN[6]	Total IN	Allocations OUT[6]	Net core funds budget
FY2018	$27,203,480	$26,253,400	$53,456,880	($8,972,238)	$44,484,642
FY2019	$26,784,780	$24,422,406	$51,207,186	($27,291,248)	$27,183,719
FY2020	$43,141,228	$2,558,695	$45,699,923	($25,744,617)	$19,955,306
FY2021	$43,140,663	$244,357	$43,385,020	($4,610,722)	$38,774,298
FY2022	$35,394,215	$20,268,714	$55,662,929	($52,820,845)	$2,842,084
FY2023 (through March 2023)	$15,307,443	$16,407,688	$31,715,131	($10,848,575)	$20,866,557
FY2024 *Preliminary* Budget Entries (as of May 2023)	$6,921,469	$2,721,699	$9,643,168	($1,170,000)	$8,473,168

FY2020 $9M allocation IN adjustment entry for FY21 was posted in FY2022.
FY2021 $9M allocation IN adjustment entry for FY21 was posted in FY2022. $19M allocation out was erroneously posted from incorrect non-FSU FinU – corrected in FY22
FY2022 Allocation IN includes $18M allocation for FY20 and FY21 for TAFE/TAHI/BG models. Allocation out includes $19M FY21 BG correction that was posted from incorrect FinU.
FY2023 Allocation IN includes $16M EVC deficit payment, and $2M diversity funds incentive
FY2024 Budget includes: FSU BG retention amount ($1.06M); $2M Diversity Incentive (with corresponding $1,170,000 department allocation); Masters Growth incentive $3.8M, $25K miscellaneous, $1.2M COVID NRST, $1.5M budget request to cover tuition remission shortfalls. There is also a budgeted allocation out for deficit repayment planned – although amount is to be finalized and not captured in the table above.

Graduate Student Funding Reform (GFR)

In October 2019, a campus notice was sent from EVC and the Office of Dean Graduate Division on graduate student funding reform that, starting Winter Quarter 2020, required Doctoral and MFA students who were admitted with a guarantee of support must be supported at a minimum of the equivalent of a 50% Teaching Assistantship (The minimum could be met by a combination of appointments and/or fellowships). The notice also mentioned proportional split model for tuition and fees across funding sources of the student support, but because of the pandemic and OFC implementation, the proportional split model was not implemented until Fall 2021. In February 2020, another announcement was made in relation to the graduate student financial aid reform requiring guarantee of a five-year financial aid package (including external sources of support) to every incoming Doctoral student and a three-year package to every incoming MFA student (to include full year academic tuition, fees and health services, and a stipend at least equivalent to 50% TA-ship appointment).

Per GEPA leadership, the reform helped alleviate the financial impact from a campus-wide practice that had evolved, allowing departments to appoint students at 25%, potentially earning only half the stipend, while tuition and fees were fully covered per the Academic Student Employees (ASEs) contract (see TAFE/TAHI model discussion below).

[5] Sum of budget entries for document #'s beginning with BABGTE for each FY in FinLink, and sum of account codes 774900 in OFC
[6] Sum of budget entries with document #'s or similar descriptions with an overall positive (IN) or negative (Out) balance for core funds, or from account codes 481000/774902774952/774953/other intercampus recharges

Legacy TAFE/TAHI Model
Historically, Teaching Assistants (TA) Fee Remission (TAFE), and TA Health Insurance (TAHI) was paid for those students employed on academic titles for 25% time or more during the quarter. TAFE/TAHI was funded by each campus and paid all of the Student Services Fees and Tuition (and $100 towards campus fees effective Winter 2019). Under the legacy model, TAHI/TAFE expenses posted to FSU ledger, which was funded through allocations from EVC office. The legacy model represented a significant financial activity for FSU's ledger, but was discontinued after FY2021.

Attachment A-1 summarizes the balance in the TAFE/TAHI funds. The large deficit balance for FSU core funds in FY2020 was primarily caused by the deficit balance in the TAFE/TAHI funds. As indicated earlier, there were significant transfers within core funds that impacted the TAFE/TAHI balances in FY2018 and FY2019, but the reasoning behind the transfers within core funds is unclear. For FY2018, the TAFE/TAHI expenses exceeded the budget allocation by $9.8M, but internal realignments (primarily $8.8M from BG) were processed to lower the net impact of the budget allocation for TAFE/TAHI. This was possibly an effort to use available core funds in one funding model to resolve overdraft in other funds. However, in FY2019, $8.5M internal budget entry was processed to transfer funds from TAFE/TAHI to the BG funds, which combined with the budget to expenses shortfall of $5.5M resulted in a $12.8M deficit for TAFE/TAHI funds. In FY2020, the budget to expenses shortfall of $12.4M (which was larger at the time due to the delay in one-time adjusting entry for FY2020), and prior year deficit carryforward, resulted in a $25M deficit. The deficit grew further in FY2021 due to budget to expense shortfalls (TAFE/TAHI expenses gradually increased from $26M in FY2018 to $30.7M as of FY2021). Although the one-time budget entry allocation of $18M processed in November 2021 (FY2022) would reduce the deficit, it was still not adequate to address the deficit fully.

We noted that the TAFE/TAHI budget ($19.3M) for FY2021 was primarily based on numbers from FY2020, as the budgeting process in the winter/spring of 2020 was concurrent with the pandemic, the OFC implementation impacts, and turnover in the FSU Director position.

Starting FY2022, the legacy TAHI/TAFE model was discontinued, and instead tuition and health insurance was to be charged proportionally to funding sources that were supporting the student's salary (in accordance with the GFR). The proportional split of tuition remission for TA's went into effect Fall 2021.

The legacy TAHI/TAFE deficit balance is being addressed as part of the deficit repayment model pending finalization between GEPA and EVC.

TA-FTE Model
In FY2022, the TA Allocation model was created to standardize and expedite how TA allocations were calculated, and to provide funding to hire TAs for undergraduate and graduate courses. The methodology uses permanent and temporary faculty FTE and quarterly enrollments to calculate the approximate amount of TAs needed based on recommended class size per faculty.

Departments received an allocation for the TA remission as part of the TA-FTE model. The allocations for FY2022 and FY2023 flowed through FSU ledger, and a budget of $26.1M was allocated to FSU ledger, but the allocation out to departments and spring quarter true-ups totaled $29.9M. FSU has requested a transfer of $3.8M to account for the shortfall in the allocation from the EVC, which should further reduce their core funds deficit balance.

Starting FY2024, all recurring and one-time budget adjustments will be processed through the EVC Office to divisions/departments, and will no longer flow through FSU's ledger.

<u>Block Grant (BG)</u>

FSU has historically received a block grant allocation from EVC for student support costs for Doctoral and MFA students (tuition, fees, and stipend). BG allocations (from EVC, approximating \$20-\$24M) and block grant costs posted to FSU ledger, with an annual year end adjustment entry to match to actual costs. This practice changed in FY2019, and FSU continued receiving BG allocation from EVC, but allocations were then made out to departments (BG expenses were no longer posted to FSU ledger). This change in the allocations model resulted in lowering the BG expenses posted to BG funds by \$13.4M, however, the allocations out to departments were \$21M, and exceeded the BG expenses by \$7.6M, resulting in a lower balance in BG funds to use to support other FSU activity.

In FY2022, BG allocations to departments were to primarily flow through EVC Office directly to departments, and re-allocations to departments would not be processed through FSU's accounts (with some exceptions for Vice Chancellor Health Sciences (VCHS) allocations FY22 = \$4.61M, and FY23 = \$4.1M, and mid-year BG infusions as approved by the Chancellor).

For FY2023, UCSD Administration implemented a new BG formula[7] based on recommendations of a task force of faculty, students, administrators, and staff that met regularly since 2021 to assess the impact and sustainability of the BG formula and diversity incentive strategy.

Attachment A-2 summarizes balance on block grant funds. Again, there were transfers within core funds that impacted the balances pre-OFC, but the reasoning behind the transfers within core funds is unclear. It appears that there were budget transfers out to support FSU fellowships funds and TAFE/TAHI in FY2018, but with the change in the BG model starting FY2019, there was less balance available in BG to support fellowship costs or TAFE/TAHI model.

Similar to TAFE/TAHI, the BG budget (\$21.7M) for FY2021 was primarily based on numbers from FY2020, as the budgeting process in the winter/spring of 2020 was concurrent with the pandemic, the OFC implementation impacts, and turnover in the FSU Director position.

Starting FY2024, the BG budget has been limited to reflect the amount to be retained by FSU from the overall BG allocations to support FSU graduate student support costs (approximately \$1.06M). This amount is to be utilized for any true-ups for BG allocations to departments based on target incoming cohort sizes (generally by Fall of the FY), and any remaining funds are to be retained by FSU to support student costs. This results in lower funds flowing through FSU's ledger for BG, and limits funds flow-through activity.

Fellowship Payments and OFC Implementation (Expenses on Projects 1006114/1006115)

As described earlier, with the OFC implementation, there was initially no established process to charge fellowship stipend and fee payments to the appropriate funding source. Consequently, in order to prioritize timely payments to students, a decision was made to charge all fellowship payments (stipend

[7] In its simplest form = (3 quarters of tuition, fees, and stipend; plus 2 summers of stipend) * (entering cohort size jointly agreed to by the program and Graduate Division).

and fees) to FSU accounts (projects 1006114/1006115), until a mechanism was developed to redistribute these costs to the appropriate funding sources. This resulted in a significant increase in expenses in these projects ($5.7M) for FY2021 (as demonstrated in Attachment ***A-2***) as FSU absorbed these costs within their FinU temporarily, increasing the deficit. In FY2022, corrections were processed to transfer expenses from FSU projects to the appropriate funding sources (resulting in reduced expenses total by $4.4M), such that the remaining expenses on the projects would relate to FSU specific costs only.

<u>Legacy Fellowships</u>

GEPA also offers a variety of fellowship support generally as a recruitment and retention tool that provides support to those students who merit admission into graduate programs at UCSD and enhances diversity to the benefit of the entire campus community. Some of the legacy fellowships, including San Diego offers the Strategic Enhancement of Excellence through Diversity (SEED), Summer Training Academy for Research Success (STARS), Cota Robles, and San Diego Fellowship, were sunset effective Fall 2021, but FSU is committed to paying out fellowships awarded with associated multi-year commitments, projected to end in FY2025. These fellowships were not assigned or affiliated with any particular budget, and there was a gap in analysis when the FSU Director position was vacant/turning over, and post-OFC with FSU's efforts focused on stabilization, and working through the pandemic, which contributed to the growing deficit in these funds, with overall deficit of $4.4M and growing to $7.1M by FY2022 (refer ***Attachment A-3***). Starting FY2023, FSU is focusing efforts on determining the outstanding commitments on these fellowships and allocating core budgets, and identifying non-core fund sources (such gift funds, and return to aid funds) to support these costs.

<u>Other Fellowships</u>

Besides the legacy fellowships, there are other fellowships where funding is processed through FSU, including Dissertation, International Center Matching, and Tribal Membership. ***Attachment A-4*** summarizes the funding in these fellowships, and although there is a deficit ($433K as of FY23), it is anticipated that fellowships will be supported through Return to Aid or gift funds (as appropriate). Going forward, FSU will perform projections on expense and resources to ensure there is adequate funding to support fellowship costs.

<u>UC Mexus/UC HBCU/HSI/Other UC Initiatives</u>

There are also UCOP initiatives that FSU is actively analyzing to better understand commitments. UC HSI and UC HBCU are partially funded by UCOP, and partially funded by GEPA or a department. FSU adheres to UCOP guidelines regarding how many students they will award in a given year. UC Mexus was a partnership between UC and the Mexican Government Fellowship (Conacyt), managed at UC Riverside on behalf of the system. It appears that the doctorial fellowships provided up to five years of funding for Mexican students at UC campuses, with the host campus supporting the fifth year of support. FSU is in the process of analyzing the funding sources and commitments further for UC Mexus, but it is expected that UCSD commitments will end in FY2025.

A-1

TAHI/TAFE (till FY21) **TA-FTE (FY22 and FY23)** (1006225/1006226; FinLink Orgs 417612/417613 - excluding GSR0202)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023 (till Mar 2023)**
Allocation IN (from funds outside of FSU core funds) [1]	$ 16,354,720	$ 22,412,064	$ 17,979,119	$ -	$ 44,075,970	$ 19,287,494
Allocation OUT (to funds outside of FSU core funds) [2]	$ -	$ -	$ -	$ -	$ (28,162,093)	$ (1,690,485)
Expenses [3]	$ (26,083,355)	$ (27,911,417)	$ (30,358,800)	$ (30,339,720)	$ (428,724)	$ 23,545
Net impact	*$ (9,728,635)*	*$ (5,499,353)*	*$ (12,379,681)*	*$ (30,339,720)*	*$ 15,485,153*	*$ 17,620,554*
NET Allocations within FSU core funds [4]	$ 9,908,019	$ (7,102,676)	$ -	$ -	$ -	$ -
Prior Year Balance	$ (379,929)	$ (200,545)	$ (12,802,574)	$ (25,182,255)	$ (55,521,975)	$ (40,036,822)
Calculated Year-end balance	$ (200,545)	$ (12,802,574)	$ (25,182,255)	$ (55,521,975)	$ (40,036,822)	$ (22,416,268)
Ledger Year-End balance	**$ (200,545)**	**$ (12,802,574)**	**$ (25,182,255)**	**$ (55,521,975)**	**$ (40,036,822)**	**$ (22,416,270)**
Difference (minor - ignored)	$ 0	$ (0)	$ 0	$ (1)	$ 0	$ (2)
Adjustments processed after FY [5]	$ -	$ -	$ 9,000,000	$ 28,287,494	$ -	$ -
Balance after Adjustments	$ (200,545)	$ (12,802,574)	$ (16,182,255)	$ (27,234,481)	$ (40,036,822)	$ (22,416,270)
Notes	4. There was net $8.836M realignment transfer IN to TAHI/TAFE from BG funds and transfer IN of $1.21M from USAP 781110 org	4. There was net $(8.5M) realignment transfer OUT from TAHI/TAFE to BG funds AND transfer IN of $1.38M from USAP 781110 org	5. $9M was posted in FY2022 as a year-end adjustment for FY20	5. $19.3M budget allocation was transferred from 000 project to TAHI/TAFE funds in FY2023 to appropriately transfer budget to the appropriate projects. Also, $9M was posted in FY2022 as a year-end adjustment for FY21	1. Allocation IN includes $18M TAHI/TAFE budget allocation for FY20 and FY21 posted in FY22. 2. Allocation IN and OUT is for TAFTE model 3. Expenses appear to relate to FY21 (under legacy TAHI/TAFE model)	1. $19.3M FY21 budget allocation was transferred from 000 project to TAHI/TAFE funds in FY2023 to appropriately transfer budget to the appropriate projects.

A-2

Block Grant * 1000673/1006119/1006114/1006115) FinLink: GSRN210/GSRBDC0/GSRBDC7/GSRBDC8/GSRBDCR/GSRN643/GSRN642	**2018**	**2019**	**2020**	**2021**	**2022**	**2023 (till Mar 2023)**
Allocation IN (from funds outside of FSU core funds) [1]	$ 31,369,536	$ 25,242,545	$ 22,054,126	$ -	$ 2,126,547	$ 31,128,496
Allocation OUT (to funds outside of FSU core funds) [2]	$ (4,100,722)	$ (25,236,013)	$ (24,915,714)	$ (4,610,722)	$ (24,650,770)	$ (5,070,873)
Expenses [3]	$ (13,583,542)	$ (225,493)	$ 838,638	$ (5,893,737)	$ 4,363,613	$ 57,841
Net impact	*$ 13,685,272*	*$ (218,961)*	*$ (2,022,950)*	*$ (10,504,459)*	*$ (18,160,610)*	*$ 26,115,465*
NET Allocations within FSU core funds [4]	$ (13,834,168)	$ 2,878,184	528,698.47	$ -	$ -	$ -
Prior Year Balance	$ 148,896	$ 0	$ 2,659,223	$ 1,164,971	$ (9,339,487)	$ (27,500,097)
Calculated Year-end balance	$ (0)	$ 2,659,223	$ 1,164,971	$ (9,339,487)	$ (27,500,097)	$ (1,384,633)
Ledger Year-End balance	**$ 0**	**$ 2,659,223**	**$ 1,164,971**	**$ (9,339,487)**	**$ (27,500,097)**	**$ (1,384,633)**
Difference (minor - ignored)	$ 1	$ 0	$ -	$ -	$ -	$ -
Adjustments processed after FY [5]	$ -	$ -	$ -	$ 2,624,661	$ 3,000,000	$ -
Balance after Adjustments	$ 0	$ 2,659,223	$ 1,164,971	$ (6,714,826)	$ (24,500,097)	$ (1,384,633)
Notes	1. Allocation IN includes $$600K in Disseration Fellowship funds 4. Allocations out to TAHI/TAFE of $8.3M; $1.28M (fellowships); $2.4M (417695 org); $1.289M NRST Waiver.	1. Allocation IN includes $$600K in Disseration Fellowship funds 3. It is not clear why BG expenses were posting since allocations were to be made directly to departments. It is not clear whether there were costs being supported for non BG related expenses on these funds. 4. Allocations IN from TAHI/TAFE of $8.5M; Allocations OUT of $3.6M (fellowships); $1.289M NRST Waiver.	3. Negative expense primarily due to transfer of balances from: Fund 21599A - $246K NSF Allowance Fund 23500A - $98K USDE Institutional Allowance (ended 1994) Fund 58634A - $456K HHMI Fellowship (ended 2007) 4. Allocation In of $528K from USAP Funds	3. Expenses primarily posted to projects 1006114/6115 - and increased significantly ($5.7M) due to OFC transition as these projects were used as the holding account. Only $200K of expenses relate to project 1000673/1006119 5. Allocation IN of $21M was transferred from 000 project to BG project in FY23. Allocation Out to departments of $19M was inappropriately processed through non-FSU FinU, and corrected in FY22	2. Allocations out includes correction for FY21 $19M, and also $565,905 for other GEPA Commitments for FY19-FY22. 3. Expenses were negative as corrections were processed to appropriately transfer expenses from 1006114/6115 accounts to the appropriate fund source. 5. $3M BG infusion was posted to 000 project and corrected to BG projects in FY23	1. This includes $21M for FY21, and $3M for FY22 that was transferred from project 000 to BG projects in FY23

Post-OFC, primarily project 1000673 is utilized for BG activity. BG funds in FinLink included GSRN642/643 based on BG allocations out from these indexes - but the corresponding OFC projects 1006114/1006115 appear to be utilized primarily for posting other FSU supported expenses (no allocations), and used as a holding account for expenses until a funding source is determined. Also, it was noted that Dissertation allocation was also made into these funds pre-OFC, so there was potentially commingling of other types of expenditures within the BG indexes as identified in the table.

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Legacy Fellowships (Projects 1006013/1006214/1030621/1006098/1006099/1006213/2026805/2028606; GSRNCRS/GSRN948/GSRN278/GSRN946/GSRN994/GSRNCRF/GSRNFE2/GSRNFEE/GSRNFIX/GSRNJKS/GSRNSLO/GSRNTC2/GSRNTCH/GSRSDTF/GSRSEED/GSRN611/GSRN942/GSRN943)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023 (till Mar 2023)**
Allocation IN (from funds outside of FSU core funds) [1]	$ 1,421,804	$ 242,131	$ 192,605	$ 168,362	$ 3,915,765	$ 6,905,816
Allocation OUT (to funds outside of FSU core funds) [2]	$ (949,105)	$ (167,867)	$ (28,315)	$ -	$ -	$ -
Expenses [3]	$ (5,350,363)	$ (5,370,532)	$ (4,407,861)	$ (4,927,795)	$ (3,823,759)	$ (1,246,464)
Net impact	*$ (4,877,664)*	*$ (5,296,267)*	*$ (4,243,571)*	*$ (4,759,433)*	*$ 92,006*	*$ 5,659,352*
NET Allocations within FSU core funds [4]	$ 5,336,023	$ 3,753,503	0.00	$ -	$ -	$ 866,254
Prior Year Balance	$ 930,352	$ 1,388,711	$ (154,054)	$ (4,397,625)	$ (9,157,057)	$ (9,065,051)
Calculated Year-end balance	$ 1,388,711	$ (154,054)	$ (4,397,625)	$ (9,157,058)	$ (9,065,051)	$ (2,539,445)
Ledger Year-End balance	$ 1,388,711	$ (154,054)	$ (4,397,625)	$ (9,157,057)	$ (9,065,051)	$ (2,539,445)
Difference (minor - ignored)	$ 0	$ (0)	$ (0)	$ 1	$ -	$ 0
Adjustments processed after FY [5]	$ -	$ -	$ -	$ 3,752,501	$ 1,974,285	$ -
Balance after Adjustments	$ 1,388,711	$ (154,054)	$ (4,397,625)	$ (5,404,556)	$ (7,090,766)	$ (2,539,445)
Notes	1. Includes $1M CRES Yr 1 Alloc, and $240K Dissertation Fellowship Match. 4. Allocations were also made from other core funds ($3.5M from BG, $450K from GSRN109, and $300K from other fellowship index, and $950K SOFI adjustment)	-	-	1. $1.9M in perm budget $8K in recharge credit $160K in SLOAN funds 5. $1.97M funds for FY21 posted to 000 project and were corrected/transferred to this project in FY23. Also, $1.778M of Master Growth for FY21 posted in FY2022	5. $1.9M of funds for FY22 posted to 000 project, and were corrected to this project in FY23	-

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Other Fellowships Dissertation/Matching/SD/Tribal Membership/Opportunity Fellowships (projects 1006055/1006082/1006212/1006228 Finlink: GSRN145/GSRNFRN/GSRBDC9)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023 (till Mar 2023)**
Allocation IN (from funds outside of FSU core funds) [1]	$ 155,000	$ 155,000	$ 155,000	$ -	$ -	$ -
Allocation OUT (to funds outside of FSU core funds) [2]	$ -	$ -	$ -	$ -	$ -	$ -
Expenses [3]	$ (200,600)	$ (162,000)	$ (162,000)	$ (125,031)	$ (120,000)	$ (150,556)
Net impact	*$ (45,600)*	*$ (7,000)*	*$ (7,000)*	*$ (125,031)*	*$ (120,000)*	*$ (150,556)*
NET Allocations within FSU core funds [4]	$ 45,600	$ (23,000)	$ -	$ -	$ -	$ -
Prior Year Balance	$ -	$ -	$ (30,000)	$ (37,000)	$ (162,031)	$ (282,031)
Calculated Year-end balance	$ -	$ (30,000)	$ (37,000)	$ (162,031)	$ (282,031)	$ (432,587)
Ledger Year-End balance	$ -	$ (30,000)	$ (37,000)	$ (162,031)	$ (282,031)	$ (432,587)
Difference (minor - ignored)	$ -	$ -	$ -	$ -	$ -	$ (0)
Adjustments processed after FY [5]	$ -	$ -	$ -	$ -	$ -	$ -
Balance after Adjustments	$ -	$ (30,000)	$ (37,000)	$ (162,031)	$ (282,031)	$ (432,587)
Notes	1. From perm budget 4. Transfer OUT to legacy fellowship of $131K, transfer IN from Block Grant of $147K, and 30K from other funds.	1. From perm budget 4. Transfer OUT to legacy fellowship of $155K, and Transfer IN from Block grant funds of $132K	1. From perm budget			

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UC Mexus/UC HBCU/HSI/Other UC initiatives (Fund 13034 (all projects); 1006089/1006090/1006229/1006230/1006231/1006236/1006237/1006239/2020426; Finlink: 69085A Fund/GSRN443/GSRN413/GSRCHA2/GSRCHR2/GSRDAR2/GSRKEV2/GSRN995/GSRNAI2	**2018**	**2019**	**2020**	**2021**	**2022**	**2023 (till Mar 2023)**
Allocation IN (from funds outside of FSU core funds) [1]	$ 289,749	$ 40,390	$ 2,270,241	$ 37,595	$ 314,438	$ 247,688
Allocation OUT (to funds outside of FSU core funds) [2]	$ -	$ -	$ -	$ -	$ -	$ -
Expenses [3]	$ (351,511)	$ (602,008)	$ (558,631)	$ (515,720)	$ (539,152)	$ 74,744
Net impact	*$ (61,762)*	*$ (561,618)*	*$ 1,711,610*	*$ (478,125)*	*$ (224,714)*	*$ 322,432*
NET Allocations within FSU core funds [4]	$ 206,961	$ -	0.00			
Prior Year Balance	$ 47,891	$ 193,091	$ (368,527)	$ 1,343,083	$ 864,957	$ 640,244
Calculated Year-end balance	$ 193,090	$ (368,527)	$ 1,343,083	$ 864,958	$ 640,244	$ 962,676
Ledger Year-End balance	$ 193,091	$ (368,527)	$ 1,343,083	$ 864,957	$ 640,244	$ 962,676
Difference (minor - ignored)	$ 1	$ 0	$ 0	$ (0)	$ -	$ (0)
Adjustments processed after FY [5]	$ -	$ -	$ -	$ -	$ -	$ -
Balance after Adjustments	$ 193,091	$ (368,527)	$ 1,343,083	$ 864,957	$ 640,244	$ 962,676
Notes			1. Funding primarily from GEPA Operations transfer for funds deposited in their account	1. Intercampus recharge credit		