

UC **SANTA BARBARA**  
Audit & Advisory Services

---

Audit Memorandum

**HEERF Review**

February 2, 2023

---

**Performed by:**

Antonio Mañas Meléndez, Associate Director  
Anne-Sophie Gatellier, Senior Auditor

**Approved by:**

Ashley Andersen, Audit Director

Report No. 08-23-0008

*This page intentionally left blank.*



AUDIT AND ADVISORY SERVICES  
SANTA BARBARA, CALIFORNIA 93106-5140  
Tel: (805) 893-2829  
Fax: (805) 893-5423

February 2, 2023

To: Distribution

From: Ashley Andersen, Audit Director  
Antonio Mañas-Melendez, Associate Audit Director

Re: **HEERF Review**  
**Audit No. 08-23-0008**

## PURPOSE

We have completed a review of the Higher Education Emergency Relief Fund (HEERF<sup>1</sup>) distribution to UCSB and related management of these funds as part of the 2022-23 annual audit services plan. The purpose of this audit was to evaluate internal controls and procedures established to manage HEERF administration, and to provide assurance that activities and expenses were following selected requirements.

## SCOPE, OBJECTIVES, AND METHODOLOGY

The objectives of our audit were to:

- Describe the process and methodology to use HEERF funds.
- Assess UCSB's compliance with a selection of HEERF and grant management requirements.
- Assess the adequacy of the quarterly reporting process, and the timeliness of posting.

The scope of our review was focused on administrative processes to manage the Institutional, Student, and Minority Serving Institutions (MSI) portions, for HEERF I, II, and III from fiscal year 2020-21 to fiscal year 2021-22. To accomplish our objectives, our work included interviews, direct observations, review of documentation, testing, and other steps. Specifically, we:

- Reviewed guidance from the U.S. Department of Education such as Higher Education Emergency Relief Fund (HEERF) Frequently Asked Questions.

---

<sup>1</sup> "CARES Act: Higher Education Emergency Relief Fund." U.S. Department of Education website. January 17, 2023. <https://www2.ed.gov/about/offices/list/ope/caresact.html>.

- Interviewed the departments in charge of each portion and inquired about their processes.
- Selected a sample of 15 student grants and verified that:
  - Payment was made directly to the student.
  - Support documentation justifying the allocation of the grant was available and compliant with local procedures.
- Selected a sample of 15 institutional expenses and verified they were allowable, allocable, reasonable, and consistent with the University of California Santa Barbara (UCSB) practices.
- Selected a sample of ten MSI programs and projects and verified the allocation had been approved by a formal memo from the Executive Vice-Chancellor.
- Verified that indirect costs were correctly calculated.

This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

## BACKGROUND

On March 27th, 2020, the Coronavirus Aid, Relief, and Economic Security Act or, CARES Act, was passed by Congress. This bill allotted \$2.2 trillion to provide fast and direct economic aid to the American people negatively impacted by the COVID-19 pandemic. Of that money, approximately \$14 billion was given to the Office of Postsecondary Education as the Higher Education Emergency Relief Fund, or HEERF. Two additional rounds of economic aid were later authorized via the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP).

<b>Table 1</b>		<b>HEERF Allocations to UCSB</b>		
<b>Grant Funding</b>	<b>Maximum Allocation for Institutional Portion</b>	<b>Minimum Allocation for Student portion</b>	<b>MSI portion</b>	<b>Total Allocation</b>
CARES Act (HEERF I)	\$12,602,098	\$12,602,098	\$1,964,709	\$27,168,905
CRRSAA (HEERF II)	\$25,476,611	\$12,602,098	\$2,599,353	\$40,678,062
ARP (HEERF III)	\$33,538,100	\$33,544,300	\$4,441,062	\$71,523,462
<b>Total</b>	<b>\$71,616,809</b>	<b>\$58,748,496</b>	<b>\$9,005,124</b>	<b>\$139,370,429</b>

Source: U.S. Department of Education.

UCSB was eligible due to participation in the following programs: Predominantly Black Institutions (PBI), Alaska Native and Native Hawaiian-Serving Institutions (ANNH), Asian American and Native American Pacific Islander-Serving Institutions (AANAPISI), Native American-Serving Nontribal Institutions (NASNTI), Developing Hispanic-Serving Institutions

(DHSI), and Promoting Postbaccalaureate Opportunities for Hispanic Americans (PPOHA) programs.

UCSB was allocated approximately \$139 million between March 2020 and March 2021, divided in Institutional, Student, and MSI portions. Table 1 shows the allocation to the University of California Santa Barbara.

Out of approximately \$139 million allocated, 92% had been spent as of September 2022. The MSI portion has the most funds remaining to be expended (31%.) Table 2 shows the expenses for each portion.

<b>Table 2</b>		<b>UCSB HEERF Expended</b>	
<b>Portion</b>	<b>Total Allocation</b>	<b>Total Spent*</b>	<b>Percentage of Funds Spent</b>
Student	\$58,748,496	\$52,773,866	90%
Institutional	\$71,616,809	\$69,416,322	97%
MSI	\$9,005,124	\$6,228,742	69%
<b>Total</b>	<b>\$139,370,429</b>	<b>\$128,418,931</b>	<b>92%</b>

Source: U.S. Department of Education.  
 \* As of September 30, 2022

Responsibility of the allocation of each portion has been spread among several control units, in charge of managing and reporting the expenses. Table 3 shows the departments in charge of managing and/or allocating the funds.

<b>Table 3</b>		<b>Departments Managing Allocations and/or Funds</b>	
<b>Portion</b>	<b>Departments</b>		
Student	<ul style="list-style-type: none"> <li>• Office of Financial Aid and Scholarships</li> <li>• Graduate Division</li> </ul>		
Institutional	<ul style="list-style-type: none"> <li>• Office of Budget &amp; Planning</li> </ul>		
Minority Serving Institution (MSI)	<ul style="list-style-type: none"> <li>• Office of the Executive Vice-Chancellor</li> </ul>		

Source: Auditor analysis.

## OBSERVATIONS

Our work found that the allocation of financial aid to the students was supported by adequate documentation, and paid directly to the recipients, in compliance with local procedures and selected requirements from the U.S Department of Education. In addition, expenses allocated to the institutional fund were allocable, allowable, reasonable, and consistent with UCSB and general grant management practices. Finally, the projects funded with the MSI fund were all approved by the Executive Vice-Chancellor, as required by local guidelines.

However, we identified one area of improvement that should be considered for the remainder of the Covid-related period<sup>2</sup> and for any future emergency relief fund. In particular:

- All the required quarterly reports were posted on the UCSB website, as required by the Department of Education, and support documentation has been adequately maintained. However, our review of expense categories selected among eight reports shows the following:
  - In one report<sup>3</sup>, the amount reported was not consistent with the most updated support documentation maintained by the Office of the Executive Vice Chancellor. The amount reported was \$ 240,093 and the amount in the support documentation was \$228,330. An updated version of the report was posted during the audit, consistent with the latest support documentation. In addition, we compared the support documentation with the General Ledger for the total amount reported in this report for the MSI category, and identified a \$284 discrepancy. The Office of the Executive Vice Chancellor identified the source of the discrepancy and posted an updated version at the end of the audit.
  - Out of eight reports reviewed, three have been updated after being posted, and the update was not clearly indicated on the report. Support documentation was provided to justify the update. However, the U. S. Department of Education requires that "Any changes or updates after initial posting must be conspicuously noted after initial posting and the date of the change must be noted in the "Date of Report" line."

## **RECOMMENDATIONS**

We recommend the Office of Budget & Planning establish a procedure to ensure updates after initial posting are conspicuously noted and the date of the change noted in the updated report.

## **MANAGEMENT RESPONSE**

The Office of Budget & Planning will establish a procedure to ensure updates after initial posting are conspicuously noted and the date of the change noted in the updated report.

*Audit and Advisory Services will follow up on the status of these issues by March 30, 2023.*

We sincerely appreciate the cooperation and assistance provided by the Office of the Executive Vice-Chancellor, the Office of Financial Aid and Scholarships, the Office of Budget & Planning, Graduate Division, and Registrar personnel during the review. If you have any questions, please contact me.

---

<sup>2</sup> As long as all funds have not been expensed, and or as long as the Department of Education requires Covid-related reports.

<sup>3</sup> Category verified is "Other Uses of (a)(2) or (a)(3) funds, if applicable", in the Institutional and MSI report dated April 8, 2022.

Respectfully submitted,



Ashley Andersen  
Audit Director  
Audit and Advisory Services

Enclosure

Distribution

Office of the Executive Vice-Chancellor  
Christian Villasenor, Executive Director, Academic Affairs

Office of Financial Aid and Scholarships  
Mike Miller, Assistant Vice Chancellor, Enrollment Services  
Saúl Quiroz, Director of the Office of Financial Aid and Scholarships

Office of Budget & Planning  
Kerry Bierman, Associate Vice Chancellor, Budget & Planning  
Eric Newlove, Financial Planning Analyst

cc: Chancellor Henry Yang  
David Marshall, Executive Vice Chancellor  
Chuck Haines, Vice Chancellor - Chief Financial Officer  
Margaret Klawunn, Vice Chancellor Student Affairs  
UCSB Audit Committee  
Alexander Bustamante, Senior Vice President and Chief Compliance and Audit Office