

Part IV
Findings

Harvard University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

I. Summary of Auditors' Results

Financial Statements

Type of auditor's reports issued	Unqualified
Internal control over financial reporting	
Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs	
Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported

Type of auditor's report issued on compliance for major programs	Unqualified
--	-------------

Audit findings required to be reported in accordance with OMB Circular A-133, Section .510(a)?	Yes
--	-----

<u>Identification of major programs</u>	<u>Name of Federal Program or Cluster</u>
Various CFDA's	Research and Development and Research Training Cluster
Various CFDA's	Student Financial Aid Cluster
47.076 (DGE-0202756)	Education & Human Resources
93.266	Rapid Expansion of Antiretroviral Therapy Programs
Dollar threshold for Type A and B programs	\$3,000,000
Auditee qualifies as a low-risk auditee	Yes

II. Financial Statement Findings

None noted

Harvard University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Section III. Federal Awards Findings and Questioned Costs

06-1 Reporting

Circular A-110 Section 51 requires that annual performance reports shall be due 90 calendar days after the grant year; quarterly or semiannual reports shall be due 30 days after the reporting period.

Section 52 requires that the Financial Status Report for each project or program be submitted no less frequently than annually, and the awarding agency will determine the frequency of the report.

Section 44(b) requires that positive efforts shall be made by recipients to utilize small businesses, minority-owned firms, and women's business enterprises, whenever possible. All recipients of EPA grants and cooperative agreements are required to set a "Fair Share" Minority and Women-Owned Business Enterprise (M/WBE) Utilization Goal. The principal investigator must report his/her progress quarterly to the EPA on Form 5700-52A.

In examining ten reports that require either EPA Form 5700-52A, we noted that two forms were not submitted timely (Environmental Protection Agency Award # R-82968901-0 and R-82902201-0). The reports were submitted one month late and two months late, respectively.

In examining sixty financial reports due during fiscal 2006, we noted twelve that were not submitted within the terms specified by the grantor agencies (Department of Health and Human Services Award No. 1R03HS013362-01A1, Department of Energy Award No. DE-FG02-03ER15384, U.S. Geological Society Award No. 06HQGR0036, NASA Award No. NAG2-1617, Department of Air Force Award No. FA9550-04-1-0208, U.S. Army Medical Research Acquisition Activity Award No. W81XWH-04-1-0499, CFDA #'s 12.910, 12.431, 93.865, 93.856, 14.906, and 12.800).

The lateness of the reports can be grouped as follows: 5 reports were less than one month late, and 7 reports were between one month and eight months late.

Recommendation

We recommend that the University review the circumstances for each of the late reports, such as staffing issues, data availability, and other issues, and ascertain if alternative procedures should be implemented to ensure compliance with filing requirements on a timely basis, or initiate dialog with the agencies to receive some modifications to the due dates, if possible.

Management's Views and Corrective Action Plan

Following these findings are management's views and corrective action plan.

Harvard University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2006

06-2 Allowable Costs/Cost Principles

Circular A-21, Section C.2 states that costs are only allowable when allocable to sponsored agreements.

Of the 110 transactions selected for the R&D program, we noted one exception for \$2,215 (CFDA # 47.049) where the award had been charged in error. The expense was removed from the related award after PwC selected the transaction for testing.

Recommendation

We recommend the University continue to monitor and evaluate expenditures on federal awards for allowability.

Management's Views and Corrective Action Plan

Following these findings are management's views and corrective action plan.

06-3 Return of Title IV Funds

In accordance with the Code of Federal Regulations, 34 CFR 668.22(f)(2)(i), institutionally scheduled breaks of five or more consecutive days should be excluded from the return calculation as periods of nonattendance. In accordance with the Code of Federal Regulations, 34 CFR 668.22(j)(1), a school has 30 days from the date the institution determines that the student withdrew to return all unearned funds for which it is responsible.

Of 195 student files selected for testing, 17 files were specifically reviewed for the calculation of the return of title IV funds. In one of the 17 items tested, we noted an error in the amount of subsidized Stafford funds remitted to the federal government (CFDA #84.032). Such amount was overstated by \$155. We understand the error was a result of a change in a holiday schedule that impacted only one school within the University. We also reviewed the other refund calculations of this particular school during the fiscal year (one additional refund), and we noted it was calculated properly.

We noted two instances where the initial amount of subsidized Stafford returned was incorrect and the corrected amounts of \$551 and \$273 were not returned within the 30 day required period. We understand that these two instances were caused by human error and the University has since returned the funds. Since identification of these errors, for the two schools in question we have reviewed all other refund calculations (two additional refunds) to ensure that such calculations were accurate. No other errors were noted.

Recommendation

We recommend that the University review all of the fiscal 2006 refund calculations to ensure accuracy. We also recommend that management ensure that the appropriate supervisory reviews are in place regarding reviewing the calculations of the return of title IV funds.

Management's Views and Corrective Action Plan

Following these findings are management's views and corrective action plan.

Harvard University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

06-4 Student Status Changes

In accordance with the Code of Federal Regulations, 34 CFR 682.610, changes in students' FFEL loan status must be reported to the lender or other appropriate party within 30 days, or included in a student status confirmation report within 60 days.

Of 30 student files selected for this testing, we noted one instance where the change in student status was not reported within the required time period (CFDA #84.032). This instance occurred during the summer time period when there is a low volume of summer withdrawals, and the change in status has since been appropriately reported.

Recommendation

Management should ensure that all changes in student status are tracked and communicated on a timely basis. We recommend that management institute a procedure to ensure that student status changes in the summer time period are reported to the appropriate party on a timely basis.

Management's Views and Corrective Action Plan

Following these findings are management's views and corrective action plan.

Harvard University
Summary Schedule of Prior Audit Findings
June 30, 2006

05-1 Allowable Costs/Cost Principles

Of the 140 transactions totaling \$277,766 selected at the University for direct cost testing, PricewaterhouseCoopers noted two transactions totaling approximately \$335 (CFDA #s: 93.867 - \$169.33, 93.846 - \$165.75) where specific awards had been charged in error. One of the transactions (CFDA 93.846) was removed from the related award after PwC selected the transactions for testing.

Status

The 2005 corrective plan was implemented. Both of the questioned costs noted were removed from the federal awards.

05-2 Reporting

In examining thirty four reports for ten awards that require either the Subcontracting Plan for Small and Small Disadvantaged Business or the EPA Form 5700-52A, PwC noted that one Subcontracting Plan for Small and Small Disadvantaged Business was not submitted timely and two EPA Forms 5700-52A were not submitted timely. (CFDA #'s 12.431, 66.509, 66.607). The submission of the reports ranged from 1 day late to 332 days late.

In examining sixty awards for which a financial report was required, PwC noted two that were not submitted within the terms specified by the grantor agency (CFDA #: 12.910 and NASA Award No. NGT5-101). The submission of the reports ranged from 2 day late to 37 days late.

In examining 14 nonfinancial reports due, PwC noted one non-financial report that was not submitted within the terms specified by the grantor agency (Department of State Award No. S-ECAAE-05-GR-008(JJ)). The submission of the report was submitted 4 days late.

Status

The 2005 corrective action plan was implemented. However, see the corrective active plan for current year finding 06-1.

05-3 Effort Reporting

In examining effort certifications relating to fifty-four payroll distribution transactions, PwC noted two transactions where monthly effort certification forms were not signed (CFDA 84.309, Department of Energy Award No. DE-FG02-02ER63445).

Status

The 2005 corrective plan was implemented.

HARVARD UNIVERSITY

OFFICE FOR SPONSORED PROGRAMS

JUDITH RYAN
Director of Cost Analysis and Compliance
(617) 495-1520 PHONE
(617) 496-8463 FAX
Email: judy_ryan@harvard.edu



HOLYOKE CENTER, SUITE 600
1350 MASSACHUSETTS AVENUE
CAMBRIDGE, MASSACHUSETTS 02138

February 14, 2007

Management's Views and Corrective Action Plan Regarding A-133 Audit Findings for the Year Ending June 30, 2006

06-1 Reporting

Reporting exceptions were identified in two areas in this year's audit: reports on the utilization of small businesses, minority-owned firms and women's business enterprises (2); and financial reports (12).

As a federal contractor, the University is required to submit periodic reports to the federal government concerning its accomplishments in purchasing and subcontracting with small businesses and minority vendors. The University will continue to communicate to the departmental administrators the importance of complying with federal agencies' specific reporting requirements. The Office for Sponsored Programs is working with the Procurement Department to ensure the delivery of timely reports on minority vending to the departments. This will further encourage and support the timely submission of the required reports by the departmental administrators.

Eight of the twelve late financial reports were 272 reports due on the 15th of the month following the end of the quarter. This deadline can prove logistically challenging for a variety of reasons, including the fact that Harvard's month end close does not produce available balances until after the fifth working day after each month end. Moving forward, the OSP Financial Analyst will in such instances contact the grant administrator at the funding agency and request an extension of the SF272 due date to ensure that adequate time is available to prepare and submit accurate, complete reports.

Similarly, for awards with multiple subcontracts where not all subcontract expenses have been received when near the end of the reporting period, the OSP Financial Analyst will contact the grant administrator at the funding agency and request an extension of the SF269 (or other report type) due date. The explanation provided to the agency will reference the lack of timely invoices from subcontractors.

OSP has already implemented a proactive plan to reduce its federal backlog. This plan includes the recent addition of a temporary employee who will work exclusively on our reporting backlog and will help to ensure that our federal reporting remains current moving forward.

06-2 Allowable Costs/Cost Principles

We continue to educate our research administrators to ensure that mistakes like this one do not occur in the future. The FAS sent out a communication to all research faculty and administrators in December reiterating the importance of monthly monitoring of sponsored accounts. A mandatory training session was conducted in spring 2006 on the basic A-21 principles of allowability, allocability, reasonableness, and consistency. The FAS and the Office for Sponsored Programs (OSP) are working together to upgrade online and printed training materials covering all aspects of sponsored program administration. These materials will be introduced to administrators in research departments at our monthly SPA and Science Friday meetings and disseminated using FAS networks and the OSP research administration listserv. OSP will continue its risk-based, post-audit procedures and, in collaboration with school senior financial managers, provide additional and individual training in high-risk areas.

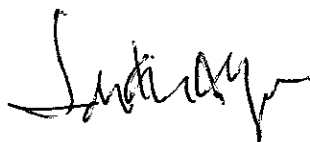
06-3 Return of Title IV Funds

To minimize human error when processing R2T4's, the University has implemented a number of safeguards. The Financial Aid Training Committee has provided annual fall training to staff. The Financial Aid Compliance Committee met with all aid offices to review best practices. The University Financial Aid Liaison Office has provided hands on training and aid offices were asked to transition away from paper calculations to the Department of Education's R2T4 web tools.

In response to this year's findings, the University will continue its ongoing training programs and, starting in 2007-2008, will require that all R2T4 calculations be reviewed by at least two staff members – the aid officer completing the calculation and an appropriate supervisor.

06-4 Student Status Changes

In response to this finding, the University has worked closely with the Clearinghouse to expand and revise its reporting schedule to ensure that all summer status changes are communicated within the required timeframe(s).



Judith Ryan
Director of Cost Analysis and Compliance



Jay Bounty
University Controller

Note 4 to the Schedule of Federal Expenditures describes certain federal funds provided to subrecipient organizations by the University. The breakout of "other programs" at June 30, 2006 is summarized as follows:

Subrecipient Name	Amount
Estencia Corazon, Inc.	\$ 17,333
Alva, S.A.	24,700
Fudan University	68,277
Boston's Children Museum	30,072
Primary Source, Inc.	13,000
Brigham & Women's Hospital	36,446
Dana Farber Cancer Institute	286,226
McLean Hospital	2,039
New England Research Institutes, Inc.	2,182
Boston University	14,298
Duke University	18,800
Tufts University	73,085
	<u>\$ 586,458</u>