

**Part IV**  
**Findings**

**Harvard University**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

---

**I. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) 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

Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes

Identification of major programs

<u>CFDA Number(s):</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
93.266	Rapid Expansion of Antiretroviral Therapy Programs under the President's Emergency Plan for AIDS Relief (PEPFAR)
19	Vietnam Fulbright Teaching Center Programs
Dollar threshold for Type A and Type B programs:	\$3,000,000
Auditee qualifies as a low-risk auditee?	Yes

**Harvard University**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

---

**II. Financial Statement Findings**

None noted.

**III. Federal Awards Findings and Questioned Costs**

**2008-1 Effort Certification**

**Research and Development and Research Training Cluster and Vietnam Fulbright Teaching Center Programs CFDA # 19.000**

OMB Circular A-21, Section J.10 (c)(1)(2) requires certification of salary distribution, but does not specify the timelines within which the certifications must be collected.

The Faculty of Arts and Sciences ("FAS") and the Harvard Medical School ("HMS") have each developed policies for monthly certification of nonfaculty salary and annual certification of faculty salary to comply with this requirement. FAS policy requires monthly certification of nonfaculty salary 30 days after the financial close of each month and annual certification of faculty salary 60 days after the effort information is made available to the faculty. HMS policy requires monthly certification within 30 days of the last day of the month being certified.

Of the 62 effort certifications tested for the Research and Development and Research Training Cluster and Vietnam Fulbright Teaching Center Programs (CFDA # 19.000), six timeliness exceptions, affecting both annual faculty certifications and monthly nonfaculty certifications, were noted. At HMS, two certifications were each submitted 87 days late. These certifications were not signed on time as the Principal Investigator was traveling and wanted to ensure that he understood the effort certifications before signing them by discussing with the Grant Administrator. Within HKS, four certifications were submitted from 15 to 41 days late. These certifications were not signed on time as it took the corresponding individuals additional time to ensure accuracy of the certifications.

<b>Award Number</b>	<b>CFDA Number</b>	<b>Award Year</b>	<b>Number of Reports Late</b>	<b>Days Late</b>
DE-FG02-02ER63445	81.049	December 1, 2007 - November 30, 2008	2	87
S-ECAAE-08-GR-023(LM)	19.000	October 1, 2007 - September 30, 2008	4	15-41

In the FAS, effort information for the period July 1, 2006 through June 30, 2007 was made available to the faculty on September 15, 2008. Based on the FAS policy, these effort certifications were due November 14, 2008, or approximately 16 months after the end of the effort reporting period. The effort information was not made available sooner due to changes in the process of compiling the underlying information. Total FAS fiscal year 2007 faculty salary, subject to the delayed certification, amounted to \$3.9 million. While OMB Circular A-21 does not specify timelines within which the certifications must be collected, a reasonableness standard is implied inherently. We acknowledge that the FAS annual effort certification does not violate any definitive standard for timeliness, but we believe it is beyond the implied standard.

Late effort certification increases the risk that inaccuracies in salary distribution may go undetected due to the passage of time.

**Harvard University**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

---

**Recommendation**

We recommend the following:

- Ensure that FAS effort reporting information becomes available to faculty members in a timely manner;
- Continue to emphasize through training and communication the importance of timeliness and accuracy of sponsored programs salary certifications;
- Establish consistent internal policies that establishes a reasonable timeline in which annual effort certifications must be completed.

**Management's Views and Corrective Action Plan**

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

**2008-2 Suspension and Debarment**

**Research and Development and Research Training Cluster**

Circular A-110, Subpart B, Section 13 restricts subawards and contracts with certain parties who are debarred, suspended or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

For every purchase \$25,000 or greater made with federal funds, Harvard's internal policy requires the University to obtain written certification from vendors stating that they have not been debarred or suspended. This certification is required to be obtained prior to the related purchase being approved for payment. In addition, the University also instituted a new process whereby the University engages an external consultant to review the University's master vendor file twice per year to ensure the vendors are not suspended or debarred.

In examining 65 transactions over the \$25,000 threshold, we noted four certification forms were signed and dated after the related payments had been made for the transactions, one transaction for which a signed form could not be located but a form could be located for a previous purchase from the same vendor, and three transactions for which signed forms could not be located. Based on our examination of these transactions, we noted four of the eight exceptions occurred within one specific department in School of Public Health. We noted that the related vendors were not in fact either debarred or suspended at the time of our testing. Due to the large volume of vendor purchases greater than \$25,000, these certification forms were not processed in a timely fashion.

<b>Award Number</b>	<b>CFDA Number</b>	<b>Award Year</b>	<b>Exceptions</b>
PHY-0421069	47.049	August 01, 2007 - July 31, 2008	1
1 P20 RR023409-01	93.389	July 17, 2006 - September 16, 2007	1
5 R01 AI051365-05 (Revised)	93.856	February 01, 2007 - January 31, 2008	1
W911NF-06-1-0290	12.431	August 01, 2007 - July 31, 2008	1
HDTRA 1-06-C-0036	12.000	August 16, 2006 - August 15, 2009	4

**Harvard University**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

---

Late debarment and suspension certification forms may cause the University to engage in business relationships with debarred or suspended vendors, which could result in questioned costs.

**Recommendation**

We recommend that the University continue to conduct training for personnel who are charging costs to federal awards, to ensure they are aware of the University's internal policy which requires a signed certification that the vendor is not suspended or debarred prior to the related purchase being approved for payment. Adherence to the University policy will help ensure that vendors are not debarred or suspended prior to entering into transactions with them.

**Management's Views and Corrective Action Plan**

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

**2008-3 Procurement**

**Research and Development and Research Training Cluster**

OMB Circular A-110, paragraph .43 requires procurement transactions to be conducted in a manner to provide, to the maximum extent practical, open and free competition.

Harvard's internal policy requires federally funded transactions in excess of \$5,000 to be accompanied by a Vendor Justification Form ("VJF") prior to conducting business with the related vendor. The VJF is required to document that the lowest bidder was chosen or that there was other justification for vendor selection.

We selected 40 transactions for testing that exceeded the \$5,000 threshold. We noted four VJFs that were signed after the business had been conducted with the vendor and we noted one VJF that was not entirely completed and therefore did not fully document the justification of selecting the related vendor.

<b>Award Number</b>	<b>CFDA Number</b>	<b>Award Year</b>	<b>Exceptions</b>
HDTRA 1-06-C-0036	12.000	August 16, 2006 - August 15, 2009	4
5 R01 HG003616-04	93.172	July 1, 2007 - June 30, 2008	1

VJFs signed after the purchase have been made increase the risk that inappropriate vendor selection decisions could be made.

**Recommendation**

Management should ensure that the Harvard competitive bidding VJF procedures are completed and documented prior to entering into transactions with a vendor. Harvard should continue to emphasize through training and communication the importance of timeliness and accuracy of VJFs.

**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, 2008**

---

**2008-4 Return of Title IV Funds**

**Student Financial Aid Cluster**

In accordance with the Code of Federal Regulations, 34 CFR 668.22(j), the University must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew.

For one student selected for refund testing at the Harvard Medical School, out of a total sample of 16 students selected across the University, the refund form was not submitted to the government until 151 days after the date the University determined that the student withdrew. The required refund of \$1,133 therefore was not returned within the 45 days as prescribed by the Code of Federal Regulations. (FFEL Program, CFDA #84.032, for award year July 1, 2007 through June 30, 2008).

We understand based on discussion with management that the withdrawal date represented a mutual, planned decision between the University and the student. The refund was calculated on a timely basis, but due to human error, was not submitted in a timely fashion. We noted that the funds were ultimately returned to the lender. The effect of this error is a late refund of Title IV funds to the lender.

**Recommendation**

Management should ensure that all refunds are returned to the lender on a timely basis. We recommend that management institute a formal control to review the listing of students who withdrew on a monthly basis and verify that all applicable refunds have been sent to the lender in a timely manner.

**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, 2008**

---

**I. Federal Awards Prior Audit Findings**

**2007-1 Contact with the Borrower**

Of the 15 students selected for Perkins repayment testing, six were in a grace period at some time during fiscal year 2007. For each of these six students, the second contact was made 180 days after the start of the grace period, rather than the 150 days as required by the Code of Federal Regulations.

PwC recommended management to ensure that contact with the borrower occurs on a timely basis. PwC also recommend that the University institute a formal oversight process over the activities of the servicer to ensure that grace period contact letters are distributed in a timely manner.

**Status**

The 2007-1 Corrective Action Plan was implemented, as planned. The revised programs were put in place at the servicer in the spring of 2008. To ensure that the programming changes were working correctly, the Student Loan Office (SLO) ran weekly queries, for a period of three months, to determine who should receive a grace notice and compared that population to the servicer's file. Testing proved successful and it was determined that SLO queries and the servicer's were in sync. SLO continues to verify that the job to create the grace letters runs weekly.

**2007-2 Reporting**

In examining 55 Financial Status Reports due on either Standard Form 269 ("SF269") or Standard Form 272 ("SF272"), PwC noted that 2 reports were not submitted timely. The reports were submitted 49 days late and 155 days late, respectively. These two reporting delays occurred before the implementation of new procedures developed to address late reporting in fiscal year 2007.

In examining 10 reports due on EPA Form 5700-52A, PwC noted that 6 reports were not submitted timely. 2 reports were submitted 15 days late; 3 reports were submitted 16 days late; and 1 report was submitted 93 days late.

In examining 10 reports due on Form SF294, PwC noted that 1 report was submitted 133 days after the deadline.

The lateness of the EPA and Form SF294 reports was due to the lack of a centralized tracking mechanism for the due dates of the reports in the University's system.

PwC recommended the University review the circumstances for each of the late reports, such as staffing issues, data availability, or other issues that would contribute to the filing of forms on an untimely basis, 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.

**Status**

The 2007 corrective action plan was implemented.

**Harvard University**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2008**

---

**2007-3 Debarment and Suspension**

In examining 30 transactions over the \$25,000 threshold, PwC noted 3 certification forms were signed and dated after the related payments had been made for the transactions and 1 transaction for which a signed form could not be located but a form could be located for a previous purchase from the same vendor. PwC noted that the related vendors were not in fact either debarred or suspended at the time of our testing. Due to the large volume of vendor purchases greater than \$25,000, these certification forms were not processed timely.

Late debarment and suspension certification forms may cause the University to engage in business relationships with debarred or suspended vendors, which could cause termination of the related award and could cause the University to become ineligible for future funding.

PwC recommended management to ensure that all vendors are not debarred or suspended prior to entering into transactions with them. PwC also recommend that the University review its internal policy to determine a more efficient process for verifying the debarment and suspension status of its vendors, such as an annual review of the University's vendor master file.

**Status**

The 2007 corrective action plan was implemented. However, please see the corrective action plan to the current year finding 2008-2, as well.

**2007-4 Effort Certification**

Within HMS, one monthly certification for nonfaculty salary was completed 173 days late. This certification had been submitted on time, but the omission of the required signature of the principal investigator (PI) was noted during review. The form was rerouted for completion and was not signed by the PI until 173 days after the due date.

Within FAS, one monthly certification for nonfaculty salary form was submitted 70 days late.

Within SPH, three certifications were submitted between 15 and 40 days after the date cited on monthly emails requesting the completion of the certifications, although all three were identified as outstanding and followed up on. The absence of a written policy stating a due date seems to conflict with the citing of a due date in the SPH request for submission.

Late effort certifications were due to delays in rerouting the certifications for signature and due dates during planned time off for the responsible signers. Late certification increases the risk that inaccuracies in salary distribution may go undetected due to the passage of time.

PwC recommended Harvard to continue to emphasize through training and communication the importance of timeliness and accuracy of sponsored programs salary certifications. PwC also recommend Harvard formalize the SPH salary certification policies and procedures.

**Status**

The 2007 corrective action plan was implemented. However, please see the corrective action plan to the current year finding 2008-1.

HARVARD UNIVERSITY  
OFFICE FOR SPONSORED PROGRAMS

DELORIS PETTIS  
AVP, Sponsored Programs Administration  
(617) 495- 3641 (Phone)  
(617) 496-8463 (Fax)  
(Email) [deloris\\_pettis@harvard.edu](mailto:deloris_pettis@harvard.edu)



HOLYOKE CENTER, SUITE 711  
1350 MASSACHUSETTS AVENUE  
CAMBRIDGE, MASSACHUSETTS 02138

March 18, 2009

**Management's Views and Corrective Action Plan Regarding A-133 Audit Findings for the Year Ending June 30, 2008**

**Section III. Federal Awards Findings and Questioned Costs**

**2008-1 Effort Certification**

**Research and Development and Research Training Cluster and Vietnam Fulbright Teaching Center Programs**

The University is committed to strengthening its effort certification processes. We recognize that guidance is emerging that suggests reasonable timeframes for completing effort certification. Absent specific regulatory language, the University has agreed that all effort certifications should be completed within nine months of the period certified and such language will be incorporated into our University effort reporting policy.

**School Specific Corrective Action Plans**

We believe the FY 07 faculty effort reporting process at the FAS did not introduce an unacceptable level of risk that inaccuracies in salary distribution went undetected due to the passage of time. Several factors related to faculty effort and the existence of mitigating controls, including the regular review of financial reports, minimize the risk of inaccurate salary distribution. Further, due to these mitigating controls, FAS does not believe that the delays incurred due to modifications and improvements to its reporting system (FASERS) were unreasonable. They enabled enhancements that provide considerable confidence in the accuracy and utility of our certification process and were implemented without violating any federal or Harvard policy.

In response to the recommendations above and to allay concerns that delays in the certification process for FY 07 were "unreasonable," the FAS has amended their Faculty Effort Certification Policy to require that the entire effort certification process be completed within nine months of the end of the fiscal year being certified. In addition, we have included the requirement that in the event of extenuating circumstances preventing completion within nine months, FAS Research Administration Services will provide notice of the revised timetable and an explanation of those circumstances to the FAS Divisional Deans, the Dean of the Faculty of Arts and Sciences, and the Associate Vice President for Sponsored Programs Administration.

HMS has worked with the faculty's lab coordinator and the grant manager to implement a better process to monitor and track effort for their projects. The process now includes documentation of monthly changes which are approved by the PI and reconciled to actual monthly salary. The result is that more effective and more timely communication between the PI and the lab coordinator eliminates delays in certification. Since July 2008, the department consistently has completed their monthly effort certifications on a timely basis.

HKS has formalized its salary certification procedures tub-wide. The new procedure assigns responsibility for generating the monthly certifications by the 8th business day of the month following the period that is being certified. It also requires that the certifications are reviewed and approved by the PI or a designee by the 29<sup>th</sup> calendar day following the month being certified. If exceptional circumstances delay the monthly certification process, program or departmental staff are required to notify the HKS finance office and request an extension for submitting the completed certification. Practices related to HKS's monitoring of tub certifications continue. These practices include logging of completion status along with the submission date, contacting department or program staff for outstanding certifications, and reporting delinquent certifications to the Financial Dean.

#### **2008-2 Suspension and Debarment Research and Development and Research Training Cluster**

Centrally, the Office of Strategic Procurement ("SP") has engaged a third party service to review our files for suspended or debarred vendors. In addition, HCOM, the University's eProcurement system, (which is currently in its pilot phase at HMS and other tubs), contains an embedded reminder to obtain debarment certification prior to the approval process for all qualified purchases.

SP will partner with the sponsored community to provide training on the federal procurement regulations as interpreted by the University at regular intervals throughout the year.

OSP together with sponsored leadership in the schools will review the effectiveness of this University policy in meeting the objectives of the requirements of federal procurement.

SP will ensure that the federal procurement regulations are prominently displayed on their web-site with an additional link to and from the Office for Sponsored Programs ("OSP") web-site to ensure greater visibility into these policies.

Of the eight items noted in the finding, four were related to the Harvard School of Public Health, one was related to the School of Engineering and Applied Science, two were related to HMS, and one was related to the FAS. Their specific responses are as follows:

#### **School Specific Corrective Action Plans**

At the Harvard School of Public Health ("HSPH"), staff will ensure the following steps are taken:

1. The Debarment Certification form will be sent to the vendor by the purchaser at the time of purchase for all orders of \$25,000 or more made with federal funds.
2. Signed Debarment Certification will be attached to the invoice by the purchaser.
3. Department financial staff will review all invoices of \$25,000 or more to ensure that a properly signed and dated Debarment Certification form is attached.

4. Department administrators authorized to approve invoices will confirm the adequacy of all documentation prior to invoice payment.

To facilitate compliance, HSPH is developing a purchase order module within its financial application interface that will enable uniform purchasing procedures and enhanced monitoring. In addition, the completion of the Suspension and Debarment form, if necessary, has been integrated with other procurement controls. HSPH plans to consider modifications to department purchase order systems to require completion of the Suspension and Debarment form prior to releasing a purchase order number. The tub will also include communication about these forms during meetings with grant managers and financial staff.

The FAS agrees that a review of the policy is necessary and will work with OSP to explore potential revisions to the policy. While the existing policy is still in place, however, we continue in our efforts to train staff on the requirements of the policy and to maintain vigilance over the submission of the Suspension and Debarment Certification in a timely fashion for each qualifying transaction.

Beginning in September of 2008, Harvard's School of Engineering and Applied Sciences ("SEAS") Procurement Office has implemented a new process involving certification of vendors with whom SEAS does business when federal purchases equal or exceed \$25,000.

Upon receiving a requisition(s) that meets or exceeds \$25,000 (and is sponsored by federal funding), the SEAS Procurement Office will search said vendor in the Excluded Parties List System ("EPLS") at [www.epls.gov](http://www.epls.gov), to ensure that the vendor is not debarred or suspended. Only after a vendor's results reveal that no debarment or suspension is in effect, will a requisition be approved and an order placed.

Upon the EPLS query's return showing no findings, a purchase order will be placed and a Debarment and Suspension Certification will be sent to the vendor. To ensure retrieval of the certification, the SEAS Procurement Office will place the requisition in a separate 'hold' file, not to be released or filed until written certification is recovered.

The SEAS Procurement Office will confirm all debarment and suspension certifications are retrieved and maintained by following up with the 'held' requisition files and periodically running a BRIO query to identify and retrieve outstanding certifications.

### **2008-3 Procurement**

#### **Research and Development and Research Training Cluster**

Centrally, the Office of Strategic Procurement ("SP") will partner with the sponsored community to provide training on the federal procurement regulations as interpreted by the University at regular intervals throughout the year.

HCOM, the University's eProcurement system, currently in its pilot phase at HMS and other tubs, has embedded the VJF into the procurement approval process for all qualified purchases.

Additionally, SP will ensure that the federal procurement regulations are prominently displayed on their web-site with an additional link to and from the OSP web-site to ensure greater visibility about these policies.

At HSPH, staff will ensure the following steps are taken:

1. Purchase orders of \$5,000 or more made with federal funds require the purchaser to complete the vendor justification form at the time of selection.
2. Purchaser will sign and date the VJF prior to purchase.

To facilitate compliance, HSPH is developing a purchase order module within its financial application interface that will enable uniform purchasing procedures and enhanced monitoring. A recent enhancement to its accounts payable module now prompts that a VJF may be required and allows printing of the form as part of the invoice entry process. In addition, the completion of the VJF, if necessary, has been integrated with other procurement controls. HSPH plans to consider modifications to department purchase order systems to require completion of the VJF prior to releasing a purchase order number. The tub will also include communication about these forms during meetings with grant managers and financial staff.

#### **2008-4 Return of Title IV Funds Student Financial Aid Cluster**

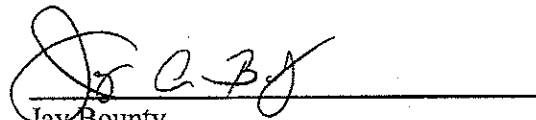
Management fully recognizes the importance of returning Title IV funds in a timely manner, and has implemented a control requiring a second review of all Return of Title IV (R2T4) funds calculations. In addition, the Financial Aid Compliance Committee will be developing an R2T4 Check List that will include adjustments to the student's account and the return of funds to the Department of Education. Further, a number of tools are available to, and utilized by, the financial aid offices to prevent the late return of funds. These tools include required monthly student account reconciliations and semiannual reviews of student credit balances, and the option to produce as-needed reports to monitor student withdrawals.

We believe this R2T4 case in question to be isolated and not indicative of a systemic issue. As a follow-up to the audit, we will review this control with the Financial Aid Directors, and emphasize the importance of making full use of the available tools in order to follow the funds return process through to the student term bill and to the Department of Education.

Sincerely,



Deloris Pettis  
AVP Sponsored Programs Administration



Jay Bounty  
University Controller  
(with respect to 2008-4)