

Part III

Findings

Harvard University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
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	Unmodified
Any audit findings that are required to be reported in accordance with Section 510(a) of Circular A-133?	No

Identification of Major Programs

CFDA Number(s)	Name of Federal Program/Cluster
Various	Research and Development Cluster
Various	Student Financial Assistance Cluster (including CFDA 84.032L – FFEL – School as a Lender)
93.067	PEPFAR
Dollar threshold used to distinguish between Type A and Type B programs	\$3,000,000
Auditee qualified as a low-risk auditee?	Yes

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II. Financial Statement Findings

None noted.

III. Federal Award Findings and Questioned Costs

None noted.

Harvard University
Summary of Status of Prior Audit Findings
Year Ended June 30, 2015

2014-001 Subrecipient Monitoring

Grantor: Various

Award Name: Various

Award Year: 07/2013 – 06/2014

Award Numbers: Various

CFDA Numbers: Various

In examining the University's subrecipient monitoring policy, PwC noted the University had various policies and procedures in place to monitor subrecipients at the grant level including among others, review of invoices, review of technical/performance reports and frequent communication with subrecipients which allow the University to verify that the subrecipient expenditures are incurred in accordance with the requirements of the federal award. In addition, the University's policy required that subrecipients comply with OMB Circular A-133 requirements and notify the University upon completion of required audits and of any adverse findings which impact the subaward. However, based on PwC's review of the University's monitoring procedures, while the University had policies in place to review reports issued pursuant to OMB Circular A-133 ("A-133 reports"), the University did not have procedures in place related to the following:

- 1) Ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient's audit period;
- 2) Issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, including assessing whether the finding necessitates an adjustment of the University's records;
- 3) Ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

The University obtained a download of A-133 results for their subrecipients from the Federal Audit Clearinghouse (FAC) database, however upon receiving these summary results, further monitoring was not performed on those subrecipients that have material weaknesses, significant deficiencies, and other compliance findings to assess the potential applicability to the University's subaward.

PwC recommended that the University enhance its subrecipient monitoring procedures to clearly define where the responsibility resides for the review of A-133 reports. This will ensure that the review is executed consistently and accurately in accordance with the compliance requirements.

Status

The Sponsored Administration Leadership Committee and the Subrecipient Monitoring Committee reviewed and have finalized the process documentation as well as clarified roles and responsibilities for subrecipient monitoring. The official policy was finalized and published in November 2015. The Office for Sponsored Programs also enhanced the subrecipient monitoring process by which all subrecipient organizations' A-133 reports are reviewed and the results are assessed to determine the impact on Harvard (if any). In addition, for all subrecipient organizations which are not subject to A-133 audit procedures, a questionnaire is sent to the recipients by the Office of Sponsored Programs and reviewed upon receipt. If no response is received, review procedures are performed around publicly available information and an assessed level of risk is assigned. A database has been created to assist with the oversight and monitoring of subrecipient organizations and the related subawards. The database includes information on the subrecipient organization risk rating, quarterly reviews of active subawards and general information relating to subawards including school, department, principal investigators, dates, budget and expenditures. This database serves as the repository of data for subrecipient monitoring and is utilized by central sponsored offices, schools, departments and principal investigators.

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2014-002 Unallowable Costs

Research and Development Cluster

Agency: Department of Health and Human Services; Department of Energy

Grantor: National Institutes of Health/National Center for Research Resources; Department of Energy

Award Title: New England Primate Research Center Base Grant; Microbial Ecology, Proteogenomics and Computational Optima

Award Number: 3P51OD011103-51S1 REVISED; DE-FG02-02ER63445

Award Year: 5/1/2012 – 12/31/2014; 12/1/2013 – 11/30/2014

CFDA # and Title: 93.351 – Research Infrastructure Programs; 81.049 - Office of Science Financial Assistance Program

In PwC's testing of 100 direct cost selections for the Research and Development Cluster, two exceptions were noted for these awards totaling \$3,719. The first related to a salary selection for a retroactive payment that was allocated to the grant through a manual journal entry using an incorrect percentage of effort. The payment of \$5,572 was charged to the grant at 100% of the individual's effort although their actual effort for the applicable period was 62%. As a result, \$2,117 of unallocable costs were charged to the grant. In the second instance, an expense was charged to the grant at the total cumulative amount owed to the vendor rather than at the total amount invoiced for the period. As a result, \$1,602 of unallocable costs were charged to grant.

PwC recommend that the University emphasize to all employees its policies and procedures regarding the documentation requirements and review process for grant expenditures to help ensure that all expenses charged to federal awards are properly documented and reviewed for accuracy. The amounts in question should also be refunded to the awards.

Status

The New England Primate Research Center (NEPRC) created an enhanced review process whereby they identified and performed secondary reviews on any non-regular salary payments to ensure they were reconciled with the effort reporting system. Additionally, Human Resources payroll division further communicated and trained all existing staff on proper payroll processing procedures and performed ongoing training and communication to ensure all staff were aware of payroll processing procedures. Lastly, the unallocable costs were removed from the grant.

The Department of Genetics at Harvard Medical School reviewed their business processes to determine if there were opportunities to reduce the risk of human error in processing accounts payable. Harvard Medical School also addressed this at departmental grants manager meetings to raise awareness and increase communication about attention to detail. Additionally, the unallocable costs were removed from the grant.

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2014-003 Reporting

Research and Development Cluster

Agency/Grantor: Environmental Protection Agency

Award Title: Are diabetics and the neurologically impaired at increased risk from air pollutant exposures - A National analysis; The effect of air pollution control on life expectancy in the United States: national population-based analysis

Award Number: RD-83490001-0; 83489401-0

Award Year: 4/1/2011 – 3/31/2014; 7/1/2013 – 6/30/2014

CFDA # and Title: 66.509 – Science to Achieve Results (STAR) Research Program

The University has established policies and procedures to report accurately and timely under federal regulations. In examining a sample of 12 non-financial reports selected for testing related to minority vending, PwC identified two instances where the annual EPA Form 5700-52A had not been submitted within 30 days of 9/30/2013 as required. They were submitted seven months late.

PwC recommended the University continue to emphasize through training and communication the University's policies surrounding non-financial reporting and the deadlines for each required report so that University staff are aware of the policies and requirements.

Status

At the award set up stage, the departments are required to work with the Sponsored Programs Administration (SPA) Office to schedule the due dates of the minority vending reports in GMAS, Harvard's Grants Management Application Suite, for proper tracking and timely actions. To ensure the due dates of all minority vending reports are properly monitored across the University, the SPA office facilitated training and communication of the importance of observing the reporting requirements of non-financial reports.