

Part III

Audit Findings and Questioned Costs

Harvard University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

I. Summary of Auditors' Results

Financial statements

Type of audit report issued	Unmodified
Internal control over financial reporting:	
▪ Material weaknesses identified?	No
▪ Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
▪ Noncompliance which is material to the financial statements noted?	No

Federal awards

Internal control over major programs:	
▪ Material weaknesses 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 student financial assistance programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs

CFDA Number	Name of Federal Program or Cluster
Various	Research and Development Cluster
98.Unknown	The Lower Mekong Public Policy Initiative
Various	Student Financial Assistance Cluster
84.032L	FFEL – School as a Lender
Dollar threshold to distinguish between Type A and Type B programs	\$3,000,000
Auditee qualifies as a low-risk auditee?	Yes

II. Financial Statement Findings

None noted.

III. Findings and Questioned Costs for Federal Awards

None noted.

Harvard University

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2017

2016-001 Equipment and Real Property Management

Cluster: Research and Development Cluster and Other Programs

Grantor: Various

Award Name: Various

Award Year: Various

Award Numbers: Various

CFDA Number: Various

During PwC's equipment inventory testing procedures, 40 items were selected from the equipment inventory listing and traced to the floor and 40 items from the floor were selected and traced to the equipment inventory listing (80 selections in total across the University). Through PwC's testing, they identified one selection that was not inventoried in accordance with applicable requirements and as a result remained on the equipment listing, however, this item was no longer in use and should have been labelled as disposed. Upon further analysis of this exception performed by management, it was determined that as of August 2016, 731 out of the 3,690 pieces of equipment with a net book value totaling \$17.9 million had not yet been inventoried within the two year period from the last equipment observation.

We implemented a new equipment inventory system in fiscal year 2015 and fiscal year 2016 was the first required physical inventory after the conversion. There were several complexities and issues relating to this system change including the need for a custom written inventory report that was not available until well into the inventory year. Additionally, there was a shift of equipment management to a shared responsibility between Sponsored Programs and Finance at each school. Lastly, we do not utilize tools for equipment management, such as an electronic tagging system, therefore resulting in an extremely manual process. Management did not fully anticipate the time and resources needed to complete the equipment observation on time.

PwC recommended that the University complete a full inventory observation for all Federally funded equipment that was not inventoried timely. Additionally, PwC recommended that we should implement a formal training program for financial and operational managers of Federal equipment to ensure appropriate personnel have an understanding of OMB Uniform Guidance requirements specific to equipment inventory. It was recommended that we should investigate and potentially invest in technological tools to assist with the burden of a fully manual inventory system. PwC recommended that management continue to develop a program and reasonable timelines to allow the federal equipment observation to be performed by the required due dates.

Current Year Update

The University completed the full inventory observation of all federally funded equipment as of November 2016.

Each school within the University identified the individuals who are responsible for the financial and operational management of Federal equipment. Those individuals were assigned revised equipment training, including training intended to develop an enhanced understanding of the equipment management duties required by OMB's Uniform Guidance. Schools are monitoring completion of the training through the Harvard Training Portal. In addition to training, schools send representatives to monthly equipment meetings where issues and concerns related to Harvard's equipment management program are discussed and resolved.

Harvard University
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

The University is exploring the use of RFID tags for equipment tracking. Three schools are moving forward with a pilot during fiscal year 2018. If the pilot is successful and results in lower costs, higher compliance, and better inventories, requests for funding for a broader implementation will be considered.

Equipment managers across the University have agreed to perform rolling inventories where specific departments or locations are inventoried throughout the 2-year inventory cycle. The schedules for inventories are shared at the monthly meetings and progress toward inventory completion is tracked.