

## **Part III Findings**

**Harvard University**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2013**

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**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?	Yes

**Identification of Major Programs**

<b>CFDA Number(s)</b>	<b>Name of Federal Program/Cluster</b>
Various	Research and Development Cluster
Various	Student Financial Assistance Cluster
93.350	Harvard Clinical and Translational Science Center (CTSC)
19.345	Disability, the Law, Rights, and Civil Society in China; Internet Freedom Monitor
93.600	Various (formerly the Head Start Cluster)
Dollar threshold used to distinguish between Type A and Type B programs	\$3,000,000
Auditee qualified as a low-risk auditee?	Yes

# Harvard University

## Schedule of Findings and Questioned Costs

### Year Ended June 30, 2013

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#### II. Financial Statement Findings

None noted

#### III. Federal Award Findings and Questioned Costs

##### 2013-001 Return of Title IV Funds

##### Student Financial Assistance Cluster

**Grantor:** Department of Education

**Award Name:** Federal SEOG, Federal Direct Loans, Federal Perkins Loan

**Award Year:** 07/2012 – 06/2013

**Award Numbers:** Various

**CFDA Numbers:** 84.007, 84.038, 84.268

##### Criteria

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 the institution's determination that the student withdrew.

##### Condition

We tested a sample of 14 students from a population of 59 students across the six schools tested, and noted that for two students at Harvard College the refund form was submitted to the government 127 days and 48 days, respectively, after the date the University determined that the student withdrew. Therefore, the required refund of \$6,237 was not returned within the required 45 days of the students' withdrawal.

##### Cause

We understand based on discussion with management that the refund was calculated on a timely basis, but due to human error, was not submitted in a timely fashion.

##### Effect

We noted that the funds were ultimately returned to the student (\$3,334) and the government (\$2,775 Pell and \$128 FSEOG) and therefore the effect is a late refund of the Title IV funds to the respective recipient.

##### Recommendation

Management should ensure that all refunds are returned to the respective recipient (student, government, 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 in a timely manner.

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

Management's views and corrective action plan is included at the end of this report after the summary schedule of prior audit findings and status.

**Harvard University  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013**

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**2013-002 Title IV Authorization Forms**

**Student Financial Assistance Cluster**

**Grantor:** Department of Education

**Award Name:** Various

**Award Year:** 07/2012 – 06/2013

**Award Numbers:** Various

**CFDA Numbers:** 84.007, 84.038, 84.268

**Criteria**

In accordance with the Code of Federal Regulations, 34 CFR 668.165(b) and 668.164(d)(2), the institution must obtain authorization from the borrower prior to applying the funds to other educationally related charges. A credit of the student's account should be made by the institution only to cover costs specified as allowable costs in CFR 668.164 unless the student or parent authorizes the institution to cover certain additional charges. The University's policy requires retention of Title IV Authorization forms completed by respective students for such charges to be covered.

**Condition**

<b>School</b>	<b># of Students Tested</b>	<b># of Exceptions</b>
Graduate School of Design	25	13
American Repertory Theatre	5	1
Harvard College	60	0
Graduate School of Arts & Sciences	10	0
School of Dental Medicine	15	0
Division of Continuing Education	25	0
<b>Total</b>	<b>140</b>	<b>14</b>

For one student selected for eligibility testing at the American Repertory Theatre, and for 13 students selected for eligibility testing at the Graduate School of Design out of the 140 students selected across the University, these students did not sign a Title IV Disbursement Release Form. The Title IV funds were, in part, applied to parking, dormitory fees, student health insurance and library fines, which are non-Title IV eligible but relevant institutional charges that require borrower authorization prior to loan disbursement.

**Cause**

We understand based on discussion with management that the respective schools had not formally implemented a control to ensure that the borrower's authorization was received prior to the application of excess Title IV funds to be applied to non-Title IV eligible charges.

**Effect**

Federal funds may be applied to ineligible charges prior to the borrower's authorization.

**Recommendation**

We recommend management implement a control to ensure that a Title IV Disbursement Release Form is signed and retained prior to the disbursement of federal funding.

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

Management's views and corrective action plan is included at the end of this report after the summary schedule of prior audit findings and status.

# Harvard University

## Schedule of Findings and Questioned Costs

### Year Ended June 30, 2013

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#### 2013-003 Unallowable Costs

##### Research and Development Cluster

**Agency:** Department of Health and Human Services

**Grantor:** National Institutes of Health/National Institute of Arthritis and Musculoskeletal and Skin Diseases

**Award Title:** Molecular and Cellular Mechanisms of Vascular Anomalies

**Award Number:** 5P01AR048564-09

**Award Year:** 9/1/2011 – 8/31/2012

**CFDA # and Title:** 93.846 - Arthritis, Musculoskeletal and Skin Diseases Research

##### Criteria

OMB Circular A-21, *Cost Principles for Educational Institutions*, Section C.2 states that to be allowable under an award, costs must be reasonable for the performance of the award and be allocable thereto under these principles, conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items, be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the organization, be determined in accordance with generally accepted accounts principles (GAAP), and be adequately documented.

##### Condition

Of the 60 salary transactions selected for testing under the R&D Cluster, we noted one exception where the award was over charged by \$1,576.

##### Cause

Based on our discussion with management, the grant's principal investigator identified a portion of this charge was unallocable to the grant as part of her routine review of expenses and effort. However, when the adjustment was recorded to transfer the unallocable portion of the charge off of the grant, the incorrect amount was processed resulting in \$1,576 of unallocable costs charged to the grant.

##### Effect

The University charged a federal fund for expenses that were not related to the grant.

##### Questioned Costs

\$1,576

##### Recommendation

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

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

Management's views and corrective action plan is included at the end of this report after the summary schedule of prior audit findings and status.

# Harvard University

## Summary of Status of Prior Audit Findings

### Year Ended June 30, 2013

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#### 2012-1 Non-Financial Reports

##### Research and Development Cluster

**Grantor:** National Institute of Health/ National Institute of Mental Health  
**Award Name:** Family Based Tests of Association for Complex Diseases  
**Award Year:** 12/01/2009 - 2/29/2012  
**Award Number:** 5R01MH059532-11  
**CFDA Number:** 93.242

OMB Circular A-110, Section 51, states that the Federal awarding agency shall prescribe the frequency that performance reports should be submitted and that final performance reports are due 90 days after the expiration or termination of the award. In examining 16 non-financial reports, PwC noted one final progress report submitted 55 days late.

PwC recommended the University continue to review controls around non-financial reporting deadlines to ensure the timeliness of reporting.

##### Status

Biostatistics has increased the number of grant managers in the department, which improves the ability to follow-up with faculty to ensure timely submission of reports.

School-wide training on compliance in filing timely reports (Boot Camps for Grants Managers is one example) is on-going throughout the year. Also we use all available opportunities, including Monthly Admin Forum & RAD, to appear in front of groups of research administrators and remind departments to initiate communication with a sponsor when the due date for a final report needs to be modified.

#### 2012-2 Suspension and Debarment

##### Research and Development Cluster

**Grantor:** Social Security Administration  
**Award Name:** Financial Literacy Research Consortium: Understanding and Improving Financial Literacy with Respect to Health Care Expenditures in Retirement  
**Award Year:** 9/30/09 - 6/30/12  
**Award Number:** 9920110039  
**CFDA Numbers:** 96.007

OMB 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. Prior to entering into subawards or contracts that exceed \$25,000, the University must verify that the company/organization is not suspended or debarred. Verification may be accomplished by checking the Excluded Parties List System, collecting a certification from the entity or adding a clause or condition to cover the transaction with that entity. For each commitment or purchase of \$25,000 or greater made with Federal funds, the University's internal policy requires 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, which is consistent with Federal regulations.

# Harvard University

## Summary of Status of Prior Audit Findings

### Year Ended June 30, 2013

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In examining 60 transactions over \$25,000, PwC noted one certification form was not obtained by the Institute for Quantitative Social Science (IQSS) at the School of Faculty of Arts and Sciences. IQSS was under the impression that the suspension and debarment clause was covered in the agreement with the vendor, however, this clause was not in the contract. Based on PwC's testing of these transactions by tracing the vendor to the Excluded Parties List System, PwC noted that the related vendor was neither suspended nor debarred at the transaction dates and at the time of the testing.

PwC recommended 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 would help ensure that vendors are not debarred or suspended prior to entering into transactions with them.

#### **Status**

The corrective action plan has been implemented. IQSS has provided additional training to staff regarding policies on suspension and debarment. The enterprise-wide procurement system, HCOM, helps ensure that appropriate documentation is collected before transactions greater than \$25,000 are processed. In order to continue with compliance in suspension and debarment we emphasize the need for vigilance within IQSS (and all departments) by reviewing vendor agreements, contracts, and subrecipient agreements in great detail to review for a debarment clause. If this isn't covered in the contract, we request a form from the vendor prior to the transaction being processed. IQSS also checks the Excluded Parties List to ensure that specific organizations are not debarred.

### **2012-3 Borrower Data Transmission to COD (Direct Loans)**

#### **Student Financial Aid Cluster**

The IFAP 2011-2012 COD Technical Reference (November 2011 Update), Volume II, page II-1-87, indicates that the disbursement date is the date an award is credited to a student account or paid to a student. Schools are allowed to enter disbursement data into the Common Origination and Disbursement ("COD") system prior to the date of disbursement, however, the date of disbursement should still reflect the date the amount was applied to the student account.

Of 25 direct loan disbursements selected for testing, it was noted that 9 had dates that differed between the University disbursement date and the date within the COD Database. The distributions were applied to student accounts on September 23, 2011, but were reported to the COD as occurring on September 27, 2011; 4 days later. These exceptions were isolated to one particular disbursement file during the fall semester.

PwC recommended that the University refine their policies and procedures to ensure the date an award is applied to a student account corresponds to the date in the COD Database.

#### **Status**

Harvard has since decentralized the disbursement of federal loans through each school's financial aid application known as PowerFAIDS. There are built in reconciliation controls in PowerFAIDS that identify when the disbursement dates in the COD differ from the disbursement dates on the student's account. As part of Harvard's student revenue controls, the Financial Aid Offices monitor these reconciliation reports monthly and correct any date discrepancies. Training on this issue was presented at the Directors of Financial Aid Council meeting on December 12, 2012 and again at the Financial Aid Officers Council meeting on January 16, 2013. The training material was then posted to MyFAC, Harvard's intranet site for financial aid administrators for future reference.

# Harvard University

## Summary of Status of Prior Audit Findings

### Year Ended June 30, 2013

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#### 2012-4 Student Status Changes – Enrollment Reporting

##### Student Financial Aid Cluster

Federal regulations governing Title IV student aid programs require institutions, lenders, GAs, and the Direct Loan Servicer to monitor and update the enrollment status of students who receive Federal student loans. Completion of Enrollment Reporting satisfies the regulatory requirements for schools. According to OMB No. 1845-0035, under the FFEL and Direct Loan programs, schools must complete and return within 30 days the Enrollment Reporting roster file placed in their Student Aid Internet Gateway (SAIG) mailboxes sent by ED via NSLDS. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS web site. Unless the school expects to complete its next roster within 60 days, the school must notify the lender or the guaranty agency within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis (FFEL, 34 CFR section 682.610; Direct Loan, 34 CFR section 685.309).

Through testing of 25 student status changes, PwC noted two selections for withdrawn students who were not reported to the National Student Clearinghouse ("NSC") and thus NSLDS within 60 days. The changes were reported 29 days late and 5 days late, respectively.

PwC recommended that the University continue to report to the NSC after the last enrollment file is submitted for the spring term. If reporting continues through the beginning of August, students who withdraw between the Spring and Fall terms should be captured, as the effective dates are usually prior to the beginning of August. PwC also recommended that the University review a report from NSC showing the withdrawals that NSC has calculated. The University will then be able to review the withdrawals to ensure they are appropriate and adjust the dates, if necessary, so that they align with the University's records.

##### Status

After this finding was brought to our attention we noted that the current program that creates the file to the NSC was not picking up student status changes occurring in prior terms or students that are in the 3<sup>rd</sup> year of the particular dual degree program where the finding occurred. To correct these reporting omissions, Harvard has updated the code to include these particular dual degree students in the file sent to the NSC. Secondly, Harvard now reports changes in student status throughout the summer. Lastly, Harvard reviews the report from the NSC, which includes any calculated withdrawals that occur between terms and manually adjusts the dates at the NSC.

HARVARD  
FINANCIAL ADMINISTRATION



### **2013-001 Return of Title IV Funds**

The College Financial Aid Office runs reports on a weekly basis to check for students who have withdrawn from the College and who require an adjustment to their financial aid, including those who require an R2T4 calculation and refund of federal funds. The way in which we run this report, does not allow us to limit the report to only students with an updated status as of the last report, therefore, we inadvertently missed identifying this student which caused the federal funds to be returned past the 45 day timeframe.

We have started to correct the issue by creating a custom report of withdrawn students that will only include students with a status change as of the date of the last report. This new report will make this list easier to manage the return of funds in the required time and should help minimize human error. The report will be scheduled to run weekly and then sent to the respective Financial Aid Offices for review.

### **2013-002 Title IV Authorization Forms**

The administration at the American Repertory Theatre recognizes that human error was the cause of this oversight. After discussing this, we have determined that the best approach for rectification is to include collection of the Title IV Waiver (TIVW) in the initial application/acceptance processes. For the incoming students, the TIVW will be included as part of their financial aid application. The students will be required to submit the completed form along with their application for aid or that application will not be considered complete. For returning students, the TIVW will be attached to the award offer and must be completed and submitted along with their acceptance of aid. We believe that the bundling of the required documents will prevent the situation noted from occurring going forward.

As a result of this finding, the administration at the Graduate School of Design contacted those students who did not yet graduate and asked them to complete an individual Title IV authorization form. In addition, we will make the Title IV authorization form a standard requirement for all federal aid recipients to complete when they accept their award letter for the school year.

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**2013-003 Unallowable Costs**

The charges for the particular month in question were the result of changes to the payroll record including changes to salary, percent of effort and title. The initial correcting journal was processed for the incorrect amount resulting in an over charge to the award. To ensure that this type of error does not occur again, Harvard School of Dental Medicine will be implementing a new point of control into the process. We are hiring a new Faculty Services position, who will verify all payroll actions in the system within one payroll cycle, to ensure the changes were correctly applied. This added quality control step will include individual signoff as verification that it has been properly completed and applied. Until the position is hired, the Assistant Director of Administrative Services will perform this crosschecking requirement.

Sincerely,



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Catherine Breen  
Senior Director, Office of Sponsored Programs  
(617) 495-9047  
(2013-003)



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Maureen Forrester  
University Controller  
(617) 495-9047  
(2013-001 and 2013-002)

