Part IV

Findings
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 not considered to be material weaknesses?
None Reported

Noncompliance which is material to financial statements noted?
No

Federal Awards
Internal control over major programs
Material weakness(es) identified?
No

Significant deficiency(ies) identified not considered to be material weakness(es)?
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

<table>
<thead>
<tr>
<th>CFDA Number(s)</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various</td>
<td>Research and Development and Research Training Cluster</td>
</tr>
<tr>
<td>Various</td>
<td>Student Financial Aid Cluster</td>
</tr>
<tr>
<td>93.266</td>
<td>Rapid Expansion of Antiretroviral Therapy Programs under the President's Emergency Plan for AIDS Relief (PEPFAR)</td>
</tr>
<tr>
<td>93.389 and 93.701</td>
<td>Harvard Clinical and Translational Science Center</td>
</tr>
<tr>
<td>Dollar threshold for Type A and Type B programs:</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Auditee qualified as a low-risk auditee?</td>
<td>Yes</td>
</tr>
</tbody>
</table>
II. Financial Statement Findings

None noted.

III. Federal Awards Findings and Questioned Costs

2010-1 Effort Certification

Research and Development and Research Training Cluster and Harvard Clinical and Translational Science Center

Grantors: National Institute of Health/National Institute of Neurological Disorders and Stroke National Science Foundation, and National Center for Research Resources

Award Names: Core Facilities for Analysis of Neural Circuit Structure and Function; MRI: Development of a New Instrument to Observe Isotopic Fluxes of CH4 and CO2 from Arctic Melt Regions, to Link Carbon Fluxes, Climate Feedbacks and Sea Level Rise; Harvard Clinical and Translational Science Center

Award Years: 9/15/08 through 8/31/09 and 9/1/09 through 8/31/10, 8/1/09 through 7/31/11, and 5/1/09 through 4/30/10

Award Numbers: 5P30NS062685-02, ATM-0922596, 5UL1RR025758-0293.389 NIH/NCRR and 1U24RR029825-01

CFDA Numbers: 93.853, 47.082, 93.389, and 93.701(ARRA)

Condition

OMB Circular A-21, Section J.10 (c)(1)(2) requires certification of salary distribution, but does not specify the timeliness 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 non-faculty salary and annual certification of faculty salary to comply with this requirement. FAS policy requires monthly certification of non-faculty salary 30 days after the financial close of each month, which normally takes 5 to 10 business days, and annual certification of faculty salary by March 31st of the year after the end of the fiscal year being certified. The School of Engineering and Applied Sciences (SEAS) follows FAS’s certification policies. HMS policy requires monthly certifications to be due by the last day of the month following the month being certified. FAS Research Administration Services (RAS) and HMS Financial Operations and Analysis are responsible for overseeing the salary certification process. In the FAS it is the role of the department Effort Coordinator to “review” monthly salary certifications, although FAS RAS are responsible for the overall process.
Of the 60 effort certifications tested for the Research and Development and Research Training Cluster, 5 exceptions were noted, as follows:

<table>
<thead>
<tr>
<th>Award Title and Award Number</th>
<th>CFDA Number</th>
<th>Federal Agency</th>
<th>Award Year</th>
<th>Number of Late Certifications</th>
<th>Days Late</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Facilities for Analysis of Neural Circuit Structure and Function 5P30NS062685-02</td>
<td>93.853</td>
<td>National Institute of Health/National Institute of Neurological Disorders and Stroke</td>
<td>September 15, 2008 through August 31, 2009 and September 1, 2009 to August 31, 2010</td>
<td>3</td>
<td>Undated</td>
</tr>
<tr>
<td>MRI: Development of a New Instrument to Observe Isotopic Fluxes of CH4 and CO2 from Arctic Melt Regions, to Link Carbon Fluxes, Climate Feedbacks and Sea Level Rise ATM-0922596</td>
<td>47.082</td>
<td>National Science Foundation</td>
<td>August 1, 2009 through July 31, 2011</td>
<td>2</td>
<td>4-8 days late</td>
</tr>
</tbody>
</table>

4 exceptions were noted related to late submission of effort certifications by the HMS Center for Biomedical Informatics (CBMI), which managed 2 HMS internal sub-awards. Of the 20 effort certifications tested for the Clinical and Translational Science Center, the 4 late CBMI certifications were as follows:

<table>
<thead>
<tr>
<th>Award Title and Award Number</th>
<th>CFDA Number</th>
<th>Federal Agency</th>
<th>Award Year</th>
<th>Number of Late Certifications</th>
<th>Days Late</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBMI internal sub-award from Harvard Clinical and Translational Science Ctr 5UL1RR025758-0293.389 NIH/NCRR</td>
<td>93.389</td>
<td>NIH/NCRR</td>
<td>May 1, 2009 through April 30, 2010</td>
<td>2</td>
<td>3-10 days late</td>
</tr>
<tr>
<td>CBMI internal sub-award from Harvard Clinical and Translational Science Ctr 1U24RR029825-01</td>
<td>93.701 (ARRA)</td>
<td>NIH/NCRR</td>
<td>September 25, 2009 through August 31, 2010</td>
<td>2</td>
<td>3-16 days late</td>
</tr>
</tbody>
</table>

Criteria
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. At least annually a statement must be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed, stating that salaries and wages charged to sponsored agreements as direct charges, and to residual, F&A cost or other categories are reasonable in relation to work performed. For professorial and professional staff, the reports must be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.

Cause
The University’s policies and procedures related to the timeliness of effort reporting were not properly executed at FAS and HMS during fiscal year 2010.

Effect
Some certifications of effort were not certified in a timely fashion or were not dated so that timely certification could be validated. Late effort certification increases the risk that inaccuracies in salary distribution may go undetected due to the passage of time.
Questioned Cost
None noted.

Recommendation
We recommend the University continue to emphasize through training and communication the importance of timeliness and accuracy of sponsored program effort certifications.

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.
2010-2 Special Provisions

Research and Development and Research Training Cluster

Grantor: National Institute of Health/National Institute on Drug Abuse
Award Name: Retrograde Signaling by Endogenous Cannabinoids
Award Year: 6/1/09 through 5/31/10
Award Number: 5 R01 DA024090-08
CFDA Number: 93.279

Condition
During our testing of the special provisions detailed in the Retrograde Signaling by Endogenous Cannabinoids grant agreement, it was noted that the University must notify the National Institute on Drug Abuse (“NIDA”) when research findings specific to this grant are about to be published. Notice must be given to NIDA in order to allow for timely release to the media. A research finding related to this grant was published during 2010, but NIDA was not notified of this publication.

Criteria
The OMB Circular A-133, 2010 Compliance Supplement, Compliance Requirement "N", Special Tests and Provisions requires compliance with any special tests and provisions listed in a grant agreement. Special Tests and Provisions are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. Part II, Subpart A of the NIH Grants Policy Statement states that it is NIH policy that the results and accomplishments of the activities it funds should be made available to the public. As noted above, the Retrograde Signaling by Endogenous Cannabinoids grant agreement requires that NIDA (part of NIH) be notified when research findings are about to be published.

Cause
Notice of publication was not provided to NIDA as the principal investigator was unaware of this requirement in the grant agreement.

Effect
The special provision related to the notification of NIDA was not appropriately complied with during fiscal year 2010.

Questioned Cost
None noted.

Recommendation
We recommend the University continue to emphasize through training and communication the importance of reviewing the grant award documents in detail, including maintaining an awareness of any special tests and provisions included in these agreements.

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.
2010-3 Suspension and Debarment

Research and Development and Research Training Cluster

Grantor: National Institute of Health/ National Institute of General Medical Sciences
Award Name: Systems-Level Physiological Basis of Selection and Epistasis in Adaptation
Award Years: 6/1/09 through 5/31/10
Award Numbers: 5R01GM078209-03
CFDA Numbers: 93.859

Condition
For every purchase $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. In examining 60 transactions over $25,000, we noted one certification form was signed and dated after the related payment had been made, as follows:

<table>
<thead>
<tr>
<th>Award Title and Award Number</th>
<th>CFDA Number</th>
<th>Federal Agency</th>
<th>Award Year</th>
<th>Number of Exceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systems-Level Physiological Basis of Selection and Epistasis in Adaptation; 5R01GM078209-03</td>
<td>93.859</td>
<td>National Institute of Health/National Institute of General Medical Sciences</td>
<td>June 1, 2009 through May 31, 2010</td>
<td>1</td>
</tr>
</tbody>
</table>

This purchase, totaling $97,996, related to the NIH/NIGMS *Systems-Level Physiological Basis of Selection and Epistasis in Adaptation* grant, CFDA #93.859 at the Faculty of Arts and Sciences ("FAS") and was signed 51 days after payment. Based on our testing of this transaction, we noted that the related vendor was neither suspended nor debarred at the transaction date and at the time of our testing.

Criteria
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 collecting a certification from the entity or adding a clause or condition to the covered transaction with that entity.

Cause
Due to the large volume of vendor purchases greater than $25,000, 1 certification form was overlooked and not processed in a timely fashion at FAS.

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

Questioned Cost
None noted.
Recommendation
We recommend 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
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.
2010-4 Financial Reporting

Research and Development and Research Training Cluster

Grantor: U.S. Army Medical Research and Material Command
Award Name: Nutrition, Genetics and Prostate Cancer Survivorship
Award Year: July 1, 2009 - September 1, 2009
Award Number: W81XWH-09-1-0243
CFDA Number: 12

Condition
In examining 60 Financial Status Reports due on Standard Form 269 ("SF269"), Standard Form 272 ("SF272") or Standard Form 425 ("SF425"), we noted 1 report was submitted 18 days late, as follows:

<table>
<thead>
<tr>
<th>Award Title and Award Number</th>
<th>CFDA Number</th>
<th>Federal Agency</th>
<th>Award Year</th>
<th>Type of Report</th>
<th>Number of Reports Late</th>
<th>Days Late</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nutrition, Genetics and Prostate Cancer Survivorship; W81XWH-09-1-0243</td>
<td>12</td>
<td>U.S. Army Medical Research and Material Command</td>
<td>July 1, 2009 - September 1, 2009</td>
<td>SF 272</td>
<td>1</td>
<td>18</td>
</tr>
</tbody>
</table>

Criteria
OMB Circular A-110, 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. Recipients should use the standard financial reporting forms or other such forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient’s accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis of available documentation.

Cause
The lateness of the financial status report was due to resource constraints.

Effect
Late submission of financial reports may hinder awarding agencies’ sponsoring decisions and may potentially affect future funding decisions.

Questioned Cost
None noted.

Recommendation
We recommend the University continue to emphasize through training and communication the University policies surrounding financial reporting, and the deadlines for each required report so that all University staff are aware of the policies and requirements.

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.
2010-5 - American Recovery and Reinvestment Act Reporting

Research and Development and Research Training Cluster, Student Financial Aid Cluster, Community Service Block Grant Cluster and Other Programs

Grantor: Various
Award Name: All ARRA awards
Award Year: Various
Award Numbers: Various
CFDA Number: 11.609, 81.049, 47.082, 93.393, 93.701, 93.728, 81.049, 47.082, 93.172, 93.405, 93.407 and 93.710

Condition
September 30, 2009 was the first quarter in which quarterly reporting was required under Section 1512 of the American Recovery and Reinvestment Act (the "Recovery Act"). Due to the volume of awards received by the University, OSP established an internal process to complete its Section 1512 Recovery Act reporting using the most accurate data possible through the month prior to the quarter-end (i.e. data for March 31, 2010 was reported using the period December 1, 2009 through February 28, 2010). We selected 15 Section 1512 reports for testing and noted that each report included 3 full months of data, however, was submitted with quarterly data lagging 1 month in arrears. It should be noted, however, that of the 15 reports selected for testing, all were submitted in a timely manner.

Criteria
On June 22, 2009, OMB published the Memorandum - Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009. Section 1512 of the Recovery Act requires quarterly reports on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter (beginning the quarter ending September 30, 2009) and for the Federal agency providing those funds to make the reports publicly available no later than the 30th day after the end of that quarter.

Section 2.5 of the Memorandum notes that prime recipients must enter their data no later than the 10th day after each quarter beginning on October 10, 2009. All data contained in each quarterly recipient report will be cumulative in order to encompass the total amount of funds expended to date. This means that reports due on October 10, 2009, will include funding from February 17, 2009 (the date the Act was enacted by Congress) through September 30, 2009. Each subsequent quarterly report will also be cumulative. In other words, the report due January 10, 2010, will include the data reported through September 2009 and be updated to include data that accumulated through December 2009.

Cause
Due to the volume of Section 1512 reporting to complete, the University has a short time period between when its monthly general ledger is closed (5 business days after month-end) and the 10-day period each quarter-end when Section 1512 reports are due in order to meet Federal requirements. In order to ease the administrative burden and increase data accuracy, the University adopted a process, which was published on the OSP website, to report information 1 month in arrears.

Effect
The University's Section 1512 reports did not include data covering the periods required.

Questioned Cost
None noted.
Recommendation
We recommend that the University prospectively implement a policy to modify the data in its Section 1512 reports to capture data through the actual quarter-end in order to ensure compliance with Section 1512 reporting requirements, utilizing the continuous correction period, if necessary.

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.

2010-6 - Equipment and Real Property Management

Research and Development and Research Training Cluster and Other Programs

Grantor: Various at FAS and SEAS
Award Name: Various at FAS and SEAS
Award Year: Various at FAS and SEAS
Award Numbers: Various at FAS and SEAS
CFDA Number: Various at FAS and SEAS

Condition
During our testing of equipment and real property management at the Faculty of Arts and Sciences ("FAS") and the School of Engineering and Applied Sciences ("SEAS"), we noted the following:
  • For 7 out of 50 selections at FAS, we were unable to identify the source of funds for the purchase of the equipment selected.
  • During our equipment inventory testing procedures, we selected 25 items from the detailed equipment inventory listing and traced them to the floor and selected 25 items from the floor and traced them to the detailed equipment inventory listing at both FAS and SEAS (50 in total at both schools). Three exceptions were noted in our testing as shown in the chart below:

<table>
<thead>
<tr>
<th>School</th>
<th>Number of Tags</th>
<th>Type of Selection</th>
<th>Issue Noted</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAS</td>
<td>1</td>
<td>Floor to sheet</td>
<td>We were unable to locate this equipment on the detailed equipment inventory listing, despite it being physically located on the floor at FAS. While we noted that this item of equipment was over 30 years old and likely disposed in the system, no evidence of disposal was available.</td>
</tr>
<tr>
<td>SEAS</td>
<td>2</td>
<td>Floor to sheet</td>
<td>2 pieces of equipment were set up under multiple tags to separate the components purchased. No cost, however, was assigned in the equipment inventory system to the 2 tags that we selected.</td>
</tr>
</tbody>
</table>
Criteria
Circular A-110, Subpart C. 34.f.1, states that equipment acquired with federal funds and federally-owned equipment shall be maintained accurately and shall include a description of the equipment, manufacturer's serial number, model number, other identification number, source of the equipment (including the award number), whether title vests in the recipient or the Federal Government, acquisition date and cost, location and condition of the equipment, the date the information was reported and unit acquisition cost. Further, a physical inventory of all Federal equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the differences. The recipient shall, in connection with the physical inventory performed, verify the existence, current utilization and continued need for the equipment.

Cause
The findings above are the result of system limitations. First, the University implemented a new equipment inventory system in 2003 and upon system conversion, the source coding, which identifies whether the equipment was purchased with federal or non-federal resources, did not transfer over into the new system for a small subset of the asset records. The cause of the second condition above was due to several tags not including complete information.

Effect
As a result of being not easily able to segregate all federal and non-federal equipment, FAS and SEAS did not have readily available a list of equipment inventory comprising equipment purchased solely with federal funds. Through management's subsequent review to identify the extent of the compliance issues, it was estimated that approximately $6.6 million of primarily fully depreciated equipment out of $207 million in total federal and non-federal equipment inventory at FAS and SEAS (or 3%) is impacted by the conversion limitation.

Questioned Cost
None noted.

Recommendation
We recommend that management continue to identify how much inventory at FAS and SEAS is unable to be identified to a source coding to ensure that this amount continues to remain small in comparison to the inventory as a whole. In addition, we recommend that FAS and SEAS work with the University's Controller's Office to develop a mechanism whereby a reconciliation can be easily performed periodically.

Management's Views and Corrective Action Plan
Management's views and corrective action plan are included at the end of this report after the summary schedule of prior audit findings and status.
2010-7 Loan Disbursement Eligibility

Student Financial Aid Cluster

Grantor: Department of Education
Award Name: FFEL Program
Award Year: Not applicable
Award Numbers: Not applicable
CFDA Number: 84.32

Condition
For one student selected for eligibility testing at the Harvard Graduate School of Arts and Sciences, out of a total sample of 142 students selected across the University, a FFEL loan was disbursed to a withdrawn student. The student had withdrawn from the University on August 25, 2009, and a disbursement was credited to the student’s account on November 6, 2009, prior to the certification of the loan. A refund check was cut from the University to the student on February 2, 2010, totaling $4,290.

Criteria
In accordance with the Code of Federal Regulations, 34 CFR 668.164(g)(i), an otherwise eligible student becomes ineligible to receive a title IV loan under the FFEL program on the date that the student is no longer enrolled at the institution as at least a half-time student for the period of enrollment for which the loan was intended.

Cause
We understand based on discussion with management that human error led to the portal submission of the loan disbursement before the necessary paperwork was received. All amounts disbursed were refunded to the government upon discovery of this error.

Effect
Students not eligible to receive title IV funding may receive loan disbursements if proper controls around loan certification are not in place.

Questioned Cost
$4,290

Recommendation
Management should enforce existing policies that all necessary loan paperwork is completed prior to the disbursement of title IV loans. We recommend that management institute a formal control to review all loans prior to disbursement to ensure that the necessary paperwork has been completed.

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.
2010-8 Adjustments to the Cost of Attendance

Student Financial Aid Cluster

Grantor: Department of Education  
Award Name: Various  
Award Year: Various  
Award Numbers: Various  
CFDA Number: 84.007, 84.033, 84.063, 84.375, 84.376, 84.379, 84.38 and 84.34

Condition  
For one student selected for eligibility testing at the Harvard Graduate School of Design, out of a total sample of 142 students selected across the University, an increase to the standard cost of attendance was not substantiated by sufficient documentation. An unsubstantiated increase of $3,000 was noted in the student's cost of attendance calculation.

Criteria  
In accordance with the Higher Education Assistance Act, HEA Section 479A(a), adequate documentation for adjustments to a student's cost of attendance shall substantiate such special circumstances of individual students. The reason for the adjustment to the cost of attendance must be documented in the student's file, and it must relate to the special circumstances that differentiate the student.

Cause  
We understand based on discussion with management that the student received a $7,000 increase to the student's cost of attendance, and $4,000 of the increase was substantiated with appropriate documentation. The remaining amount was unsubstantiated due to human error in the collection of documentation.

Effect  
The effect of this error is an increase to the cost of attendance without supporting documentation.

Questioned Cost  
None noted, as the additional amount added to the cost of attendance did not result in the student receiving any excess federal aid.

Recommendation  
Management should ensure that all documentation supporting an increase to students' cost of attendance is maintained within the student file.

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.
**2009-1 Effort Certification**

**Research and Development and Research Training Cluster**

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 Harvard Law School ("HLS") 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.

Of the 87 effort certifications tested for the Research and Development and Research Training Cluster, 3 exceptions affecting monthly nonfaculty certifications occurred within 1 specific department in the HLS. One certification was submitted 9 days late. The certification was not signed on time due to turnover of personnel. 2 certifications were appropriately signed but not dated and, as such, could not be verified to ensure compliance with HLS policy. These certifications were not dated due to change of personnel and oversight during review.

**Status**

The corrective action plan was implemented. This was completed by the end of calendar year 2010. The grant administrators that did not have access were given access to the monthly salary certification reports and were trained on the certification process, if needed. As new awards are granted, individuals are granted access to the reports. This is done in conjunction with the awarding of new funds. In addition, the HLS Financial Office, in conjunction with the Office for Sponsored Programs ("OSP"), held an informational seminar in January 2010 for all individuals working with sponsored funds. Policy information and sponsored processes were discussed and provided to attendees. Additionally, the HLS Financial Office website has been updated with OSP policies and links to the OSP website. Any changes to policies are communicated to grant managers as they arise.

**2009-2 Suspension and Debarment**

**Research and Development and Research Training Cluster**

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.

For every purchase $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.
In examining 82 transactions over the $25,000 threshold, PwC noted 1 certification form at the School of Engineering and Applied Sciences ("SEAS") was completed but not dated and, as such, could not verify if the form was obtained prior to the related purchase being approved for payment. PwC validated that the related vendor was not in fact either debarred or suspended at the time of their testing. The lack of dating the suspension and debarment form was an oversight of the SEAS. In addition, PwC noted 1 certification at the Harvard Medical School ("HMS") was not completed on a contract that totaled $29,715. The certification form was not completed as University policy states that a written certification from vendors is only required when a purchase order of $25,000 and greater is generated. In this case, individual purchase orders for monthly payments less than $25,000 were generated and therefore were not flagged as requiring a certification form.

**Status**
The corrective action plan was implemented. The OSP, in conjunction with strategic procurement, provided training to the schools at various University-wide sessions. OSP also suggested methods of utilizing blanket purchase orders for recurring purchases.

### 2009-3 Procurement

**Research and Development and Research Training Cluster, National Center for Research Resources CFDA# 93.389, and Rapid Expansion of Antiretroviral Therapy Programs under the President's Emergency Plan for AIDS Relief (PEPFAR) CFDA# 93.266**

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. Paragraph .46 also requires that procurement transactions greater than the small purchase threshold (currently $100,000), must include a basis for contractor selection, justification for lack of competition when competitive bids are not obtained, and the basis for award cost or price.

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 qualified bidder was chosen or that there was other justification for vendor selection.

PwC selected 76 transactions for testing that exceeded the $5,000 threshold. PwC noted 1 VJF was not entirely completed and therefore the University did not fully document the justification of selecting the related vendor. 2 VJFs were not completed in accordance with University policy, and 1 VJF was not dated and, as such, could not be verified to ensure compliance with University policy.
Harvard University
Summary Schedule of Prior Audit Findings
June 30, 2010

Status
The corrective action plan was implemented. These expectations related to 3 separate departments and have been addressed as follows. First, detailed procedures and a VJF have now been documented and are at use for the School of Public Health's Boswana Program. Second, at Harvard Medical School, the oversight of grant activities in the Information Technology (IT) research department was moved to the Center for Biomedical Informatics (CBMI) early in fiscal year 2010. The two groups, IT research and CBMI, are closely related and it was a logical solution to combine the grant management for the 2 groups. Additional support has been provided by Financial Operation and Analysis, Sponsored Programs Administration and OSP for this new and expanding group. OSP anticipates that within the next 12 months this group will be fully trained and able to operate independently with less oversight by the central offices. Third, for PEPFAR VJF’s, OSP has obtained copies of the memo that was provided to the Association of Pharmaceutical Importers of Nigeria (APIN) team and discussed with them directly during their visit to Boston in January/February 2010. Since December 2009, all conference-related hotel folios have been paid directly via wire from PEPFAR's Boston office.

2009-4 Reporting

Research and Development and Research Training Cluster

OMB Circular A-110, 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.

OMB Circular A-110, 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 Environmental Protection Agency ("EPA") grants and cooperative agreements are required to set a "Fair Share" Minority and Women-Owned Business Enterprise ("MWBE") Utilization Goal. Reports are due 30 days after the close of each reporting period unless otherwise directed by the contracting officer.

OMB Circular A-110, Section 51 requires that the recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award and the awarding agencies shall prescribe the frequency with which the performance reports shall be submitted.

In examining 57 Financial Status Reports due on either Standard Form 269 ("SF269") or Standard Form 272 ("SF272"), PwC noted that 5 reports were not submitted timely ranging from 33 to 100 days late. Reports were submitted late due to resource constraints. There was no supporting evidence of requested extensions from the sponsoring agency.

In examining 5 reports due on EPA Form 5700-52A, PwC noted that 1 report was submitted 15 days late. The lateness of the EPA report was due to resource constraints.

In examining 24 non-financial required reports, PwC noted 4 exceptions. 2 reports were not submitted timely and 2 reports were not submitted by the department. The lateness of these reports was due to the lack of monitoring process by each department.
Status
The corrective action plan was implemented. For financial reporting in fiscal year 2010, OSP transitioned from a strictly portfolio-based reporting model to a distribution of reports by due date within teams. This way, OSP prioritizes federal reports that are due, distributes the list of reports to various analysts, regardless of portfolio owner, and maximizes OSP’s efforts for on-time and accurate reporting.

For minority vending reporting, faculty members and subcontractors have been notified of proper document routing procedures. As a result, forms have been submitted on time during fiscal year 2010.

For non-financial reporting, in January 2010, shortly after this finding was issued, FAS Research Administration Services and OSP conducted a training session as part of the monthly training series entitled “A-133 Audit for 2009: Findings and Lessons Learned.” In this session, the availability of the Deadlines Summary report in the Faculty of Arts and Services (FAS) sponsored reporting application was reiterated to grants administrators. There have been no subsequent findings for late non-financial reports in the FAS.

2009-5 Allowable Costs and Cost Principles
Education and Human Resources CFDA# 47.076

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

Of the 55 transactions selected for the Education and Human Resources program, PwC noted 1 exception for $20,905 where the award was over charged by one month’s salary for 1 individual.

Status
The corrective action plan was implemented. FAS Research Administration Services trains grants administrators on a regular basis through in-person meetings, online training modules, a listserv, and a detailed website. Administrators are reminded frequently to check the terms and conditions of each award, paying particular attention to singular requirements of individual grant programs like the one in the National Science Foundation award that triggered this finding. No recurrence of this or any similar problems has been encountered during fiscal year 2010.

2009-6 Initial Counseling for Graduate or Professional Student PLUS Loan Borrowers
Student Financial Aid Cluster

In accordance with the Code of Federal Regulations, 34 CFR 682.604(f)(2), the University must ensure that entrance counseling is conducted with each graduate or professional student PLUS loan borrower prior to its release of the first disbursement, unless the student has received a prior Federal PLUS loan or Direct PLUS loan.
For 4 graduate or professional student PLUS loan borrowers selected for student financial aid compliance testing at the Harvard School of Public Health, out of a total sample of 56 graduate or professional student PLUS loan borrowers selected across the University, entrance counseling was not conducted prior to the release of the first disbursement. (FFEL GradPLUS and DL GradPLUS Programs, for award year July 1, 2008 through June 30, 2009).

PwC noted, based on discussion with management, that entrance counseling was ultimately completed or loan funds were paid back in full for each of the borrowers, but due to human error, initial counseling was not performed timely. The effect of this error is a disbursement of federal funds prior to initial PLUS loan counseling.

**Status**
Entrance and exit counseling training was provided to the University Financial Aid Officers on January 20, 2010. In addition, the Harvard School of Public Health has implemented controls to ensure counseling is completed before loans are certified.
Management's Views and Corrective Action Plan Regarding A-133 Audit Findings for the Year
Ending June 30, 2010

2010-1 Effort Certification

R&D
Undated monthly effort certifications are out of compliance with our written policy. The Faculty of Arts and Sciences (FAS) will continue to emphasize through training and education programs and communications channels with research administrators and faculty members the importance of timeliness, accuracy, and completeness in certifying effort on federal sponsored projects.

The lateness in monthly effort certification in the School of Engineering and Applied Sciences (SEAS) was due largely to the change in personnel at the end of December 2009. To mitigate a possible non-compliance event such as this one, SEAS will require that a new/incoming staff participate in a one-on-one training with SEAS Research Administration and/or that a new staff member attend the Overview in Sponsored Research Administration in order to provide a broad knowledge base about the field.

SEAS has reviewed subsequent monthly certifications and determined that the lateness that occurred in the month of December was a one-time, isolated case. This new process has already been implemented to ensure timely effort certification starts with the review of accounts by the Grants and Contracts specialist before the end of each month. After the month-end, accounting staff coordinates the process, runs CREW reports for monthly effort certifications in fund range from 100000-199999 for that month, and sends the reports to each PI for review and for signature. Once the reports are signed by PI, they are sent back to the coordinator who tracks compliance and follows up on missing reports as needed.

CTSC
The HMS Center for Biomedical Informatics (CBMI) manages two part-of accounts of the Harvard Catalyst/Harvard Clinical and Translational Science Center (CTSC). One account was established with the CTSC grant, the other with a U24 grant (which is a Cooperative Program in Translational Research Resource Centers). A part-of account is akin to an internal subcontract and is created when a co-investigator is responsible for a portion of the award but sits outside the home department of the primary PI. CBMI submitted four HMS effort certifications after the deadline due to staff oversight. HMS understands that strong departmental management is essential to ensuring strong research compliance and has posted a new position of Director of Administration for CBMI. A primary objective for this new position will be to ensure that the research support team is fully staffed and trained in research administration and compliance. This will provide the necessary infrastructure to assure compliance with all federal research regulations, including effort certifications. With the support of the Sponsored Administration Leadership Council, senior research administration leadership at the University is committed to improving the effort certification process across campus, including management of part of accounts that are increasingly common in inter-faculty collaborations, through training sessions offered across campus as well as efforts by a University-wide committee that is currently investigating options for an electronic effort reporting and salary certification system. An electronic system, which we expect to be operational in FY12, will facilitate tracking of effort and salary certifications in a more streamlined and less labor-intensive way.
2010-2 Special Provisions

As the grantee, we are responsible for complying with all terms and conditions of each federal award. The requirement for advanced notification prior to publication was a NIDA special term and condition. To ensure that all such terms are followed, the Department has met with the grant managers and will have this addressed at a faculty meeting. Additionally, the SPA office will re-train their staff to note non-standard terms and conditions on Action Memos. At the next HMS Research Open Forum, we will present this issue, remind all staff to carefully review notice of grant award terms, and alert PIs to any non-standard and/or special conditions.

2010-3 Suspension and Debarment

We continue to acknowledge the administrative burden imposed by federal requirements that vendor suspension and debarment reassurances be submitted with each commitment. Nonetheless, we continue to use various modes of communication with research administrators to reiterate the importance of filing suspension and debarment paperwork for each purchase commitment >$25,000 with federal funds.

The new enterprise-wide procurement system, HCOM, which is being rolled out in a phased manner to FAS departments and centers during FY11 and FY12, incorporates a reminder screen that will make it easier to comply with the suspension and debarment requirements.

2010-4 Financial Reporting

Of the 60 financial reports selected for testing, one report was submitted 18 days late. Financial analysts within OSP make every effort to submit reports on time, but were not able to complete accurate and timely reporting on this award due to constrained resources. OSP tracks the financial reports due and makes every effort to reallocate portfolio responsibilities in order to meet federal submission guidelines. OSP has recently created new positions (Sponsored Associates) who will help with invoicing, thus increasing the capacity of the existing financial analysts.

We will continue to explore efficiencies in our financial reporting model that will enable us to obtain clarity regarding reporting terms and conditions in a timely manner to meet financial status reports deadlines.

2010-5 - American Recovery and Reinvestment Act Reporting

Harvard’s decision to select a quarterly reporting schedule that differed from calendar quarters was a conscious decision at the outset of ARRA reporting and was intended to provide the most complete and accurate reviewed data available to the general public. Harvard’s general ledger closes five business days after the end of the calendar month. The timing of the fiscal close would make it impossible to review data in time for report submission on the tenth of the month. As all data, except for job counts is cumulative, Harvard determined that reviewed, accurate data would be captured in subsequent months. This approach was transparent, consistent and aligned with available NIH and NSF guidance. Harvard participated in a NSF desk review completed by NSF Contracted Auditors that clearly outlined our reporting criteria and timing. This desk review revealed no issues for resolution, leading us to believe that reporting accurate information through the prior month’s close was an acceptable strategy.

Based on PwC’s finding and recommendation, Harvard will be submitting quarterly reports through the calendar quarter end using the best available data for the reporting period. This has been implemented for the January 2011 reporting cycle and all subsequent cycles.
2010-6 - Equipment and Real Property Management

The inappropriate costing to the two equipment tags, at the School of Engineering and Applied Sciences (SEAS), was a result of a purchase of multiple (but similar) pieces of equipment from one single vendor in one transaction. The vendor issued one invoice for the transaction. After the invoice was paid, the costing was inappropriately assigned to two tags instead of allocating costing to three tags (per SEAS tagging request form).

Going forward, SEAS proposes that tagging request form(s) be attached to each requisition in Procurement. This new process (attaching tagging request forms to the POs) will be included in a training to staff in procurement and accounting who are responsible for issuing POs and for "posting" transactions in Equipster, our equipment management system. Documentation from the training will be available upon request.

After the invoice is paid and the transaction posted to the GL, SEAS accounting staff will look up the PO number for each transaction, verify the tag information and post the transaction per the tagging request form. This new feature of attaching file to a purchase requisition has only been activated recently in late 2010. Furnished with the key information from each tagging request form, especially the quoted value, will allow staff to accurately separate costing in the case of one invoice for multiple tags.

FAS recognizes that a small portion of the account-coding data inherited from the previous equipment management system, EMIS, which represents approximately 3% of the total value of equipment tracked in Equipster, was incomplete, making it impossible to distinguish federal from non-federal equipment. For the one 30-year-old piece of equipment found on the floor that was not in Equipster, we will create an asset record in the database.

2010-7 Loan Disbursement Eligibility

Management recognizes that a federal loan was certified and disbursed after a student was no longer eligible. Training was provided to the University’s financial aid officers on October 20, 2010 to review eligibility criteria. In addition, the Graduate School of Arts and Sciences has implemented controls utilizing their financial aid management system (PowerFAIDS) to ensure that loans will not be originated or disbursed until all necessary paperwork has been received. Once all necessary paperwork has been received, a financial aid officer accepts the student’s loan in PowerFAIDS thus releasing it to a tracking status eligible for origination and disbursement. For any non-standard situations where eligibility is questionable, the case will be reviewed both within the Graduate School of Arts and Sciences financial aid office and with the University Financial Aid Liaison Office.

2010-8 Adjustments to the Cost of Attendance

It is the policy of the Graduate School of Design financial aid office to maintain all correspondence related to requests for increases to the cost of attendance in the students’ file. In this particular case, documentation could not be found in the student’s file. In the future, all correspondence, including notes from face-to-face meetings, will be placed in the student’s file when the cost of attendance increase has been approved and entered into the financial aid management system (PowerFAIDS).
Sincerely,

Mark Barnes  
University Research and Compliance Officer

Maureen Forrester  
University Controller  
(2010-7 and 2010-8)