Part III

Audit Findings and Questioned Costs

Harvard University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

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)?	Yes

Identification of major programs

CFDA Number	Name of Federal Program or Cluster
Various	Research and Development 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

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

Criteria
OMB Uniform Guidance §200.313, 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 and 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 inventory, verify the existence, current utilization and continued need for the equipment.

Condition
During our equipment inventory testing procedures, we selected 40 items from the equipment inventory listing and traced them to the floor and selected 40 items from the floor and traced them to the equipment inventory listing (80 selections in total across the University). Through our testing, we 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.

Cause
The University 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, the University does 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.

Effect
The required inventory was not fully performed in fiscal year 2016 as required, therefore, Federally funded equipment could be inaccurately captured on the inventory records and not discovered and corrected.

Questioned Costs
None noted.

Recommendation
The University should complete a full inventory observation for all Federally funded equipment that was not inventoried timely. Additionally, the University 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. The University should investigate and potentially invest in technological tools to assist with the burden of a fully manual inventory system. We recommend that management continue to develop a program and reasonable timelines to allow the federal equipment observation to be performed by the required due dates.

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, 2016

There are no findings from prior years that require an update in this report.

Harvard University
Management's Corrective Action Plan
Year Ended June 30, 2016

2016-001 – Equipment and Real Property Management

The University has completed the full inventory observation of all federally funded equipment as of November 2016. Additionally, the University will implement a training program for all individuals involved in the financial and operational management of Federal equipment to ensure the appropriate personnel have an understanding of OMB Uniform Guidance requirements related to the oversight of federal equipment. A schedule for inventory management will be developed. The University will also investigate and potentially invest in technological tools to assist with the burden of a fully manual inventory system.

Sincerely,

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