



OMB CIRCULAR A-133 REPORT ON
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

University of Puerto Rico
Year Ended June 30, 2009

University of Puerto Rico
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Federal Financial Assistance Programs
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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards

Board of Trustees
University of Puerto Rico

Compliance

We have audited the compliance of the University of Puerto Rico (the University) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. The University's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion the University complied, in all material respects, with the requirements referred above that are applicable to each of its major Federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 09-02, 09-03, 09-04, 09-05, 09-06, 09-07, 09-08, 09-09, 09-11, 09-12, and 09-14.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 09-07, 09-08, 09-13, and 09-14 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 09-02, 09-03 and 09-05 through 09-14 to be significant deficiencies.

The University's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the University as of and for the year ended June 30, 2009, and have issued our report thereon dated June 24, 2010. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

September 30, 2010

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this report.

University of Puerto Rico
 Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

CFDA - Program Title	Research and Development Cluster	Student Financial Assistance Cluster	Trio Cluster	Higher Education Institutional Aid	Other Federal Expenditures	Grand Total
Federal Pass-Through Funds						
10.200 - GRANTS FOR AGRICULTURAL RESEARCH, SPECIAL RESEARCH GRANTS	\$ 106,589	\$ -	\$ -	\$ -	\$ -	\$ 106,589
10.203 - PAYMENTS TO AGRICULTURAL EXPERIMENT STATIONS UNDER THE HATCH ACT	(370)	-	-	-	-	(370)
10.206 - GRANTS FOR AGRICULTURAL RESEARCH_COMPETITIVE RESEARCH GRANTS	14,006	-	-	-	-	14,006
10.215 - SUSTAINABLE AGRICULTURE RESEARCH AND EDUCATION	15,888	-	-	-	-	15,888
10.303 - INTEGRATED PROGRAMS	22,716	-	-	-	-	22,716
10.304 - HOMELAND SECURITY_AGRICULTURAL	-	-	-	-	31,719	31,719
10.500 - COOPERATIVE EXTENSION SERVICE	30,457	-	-	-	-	30,457
10.558 - CHILD AND ADULT CARE FOOD PROGRAM	-	-	-	-	20,980	20,980
10.675 - URBAN AND COMMUNITY FORESTRY PROGRAM	-	-	-	-	15,532	15,532
11.463 - HABITAT CONSERVATION	-	-	-	-	3,851	3,851
14.231 - EMERGENCY SHELTER GRANTS PROGRAM	-	-	-	-	23,587	23,587
16.541 - PART E - DEVELOPING, TESTING AND DEMONSTRATING PROMISING NEW PROGRAMS	-	-	-	-	154,131	154,131
16.579 - EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	-	-	-	-	24,275	24,275
17.261 - WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	-	-	-	-	106,569	106,569
20.600 - STATE AND COMMUNITY HIGHWAY SAFETY	-	-	-	-	106,646	106,646
43.001 - AEROSPACE EDUCATION SERVICES PROGRAM	-	-	-	-	(180)	(180)
45.129 - PROMOTION OF THE HUMANITIES_FEDERAL/STATE PARTNERSHIP	22,270	-	-	-	-	22,270
47.041 - ENGINEERING GRANTS	79,893	-	-	-	-	79,893
47.070 - COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	37,607	-	-	-	-	37,607
47.074 - BIOLOGICAL SCIENCES	35,509	-	-	-	-	35,509
47.076 - EDUCATION AND HUMAN RESOURCES	39,485	-	-	-	-	39,485
81.087 - RENEWABLE ENERGY RESEARCH AND DEVELOPMENT	24,516	-	-	-	-	24,516
84.010 - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	-	-	-	-	174,332	174,332
84.031 - HIGHER EDUCATION_INSTITUTIONAL AID (TITLE V)	-	-	-	723,290	-	723,290
84.161 - REHABILITATION SERVICES_CLIENT ASSISTANCE PROGRAM	-	-	-	-	(490)	(490)
84.168 - EISENHOWER PROFESSIONAL DEVELOPMENT-FEDERAL ACTIVITIES	-	-	-	-	479,525	479,525
84.243 - TECH-PREP EDUCATION	-	-	-	-	171,018	171,018
84.287 - TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	-	-	-	-	739,400	739,400
84.298 - STATE GRANTS FOR INNOVATIVE PROGRAMS	-	-	-	-	231,317	231,317
84.304 - CIVIC EDUCATION - COOPERATIVE EDUCATION EXCHANGE PROGRAM	-	-	-	-	(525)	(525)
84.331 - GRANTS TO STATES FOR INCARCERATED YOUTH OFFENDERS	-	-	-	-	49,021	49,021
84.366 - MATHEMATICS AND SCIENCE PARTNERSHIPS	-	-	-	-	2,000,291	2,000,291
84.367 - IMPROVING TEACHER QUALITY STATE GRANTS	-	-	-	-	989,979	989,979
93.145 - AIDS EDUCATION AND TRAINING CENTERS	-	-	-	-	636,129	636,129
93.217 - FAMILY PLANNING_SERVICES	-	-	-	-	9,666	9,666
93.242 - MENTAL HEALTH RESEARCH GRANTS	58,993	-	-	-	-	58,993
93.273 - ALCOHOL RESEARCH PROGRAMS	12,014	-	-	-	-	12,014
93.279 - DRUG ABUSE AND ADDICTION RESEARCH PROGRAMS	49,748	-	-	-	-	49,748
93.283 - CENTERS FOR DISEASE CONTROL AND PREVENTION_INVESTIGATIONS AND TECHNICAL	6,730	-	-	-	-	6,730
93.389 - NATIONAL CENTER FOR RESEARCH RESOURCES	138,430	-	-	-	-	138,430
93.397 - CANCER CENTERS SUPPORT GRANTS	24,124	-	-	-	-	24,124
93.398 - CANCER RESEARCH MANPOWER	790	-	-	-	-	790

University of Puerto Rico

Schedule of Expenditures of Federal Awards (continued)

CFDA - Program Title	Research and Development Cluster	Student Financial Assistance Cluster	Trio Cluster	Higher Education Institutional Aid	Other Federal Expenditures	Grand Total
93.575 - CHILD CARE AND DEVELOPMENT BLOCK GRANT	-	-	-	-	1,213,765	1,213,765
93.630 - DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY GRANTS	-	-	-	-	109,917	109,917
93.838 - LUNG DISEASES RESEARCH	131,019	-	-	-	-	131,019
93.853 - EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL	143,776	-	-	-	-	143,776
93.859 - BIOMEDICAL RESEARCH AND RESEARCH TRAINING	26,696	-	-	-	-	26,696
93.910 - FAMILY AND COMMUNITY VIOLENCE PREVENTION PROGRAM	-	-	-	-	567,153	567,153
93.977 - PREVENTIVE HEALTH SERVICES_SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	-	-	-	-	57,045	57,045
97.061 - CENTERS FOR HOMELAND SECURITY	-	-	-	-	34,694	34,694
	1,020,885	-	-	723,290	7,949,346	9,693,521
Direct Funds						
United States Department of Agriculture (USDA)						
10.001 - AGRICULTURAL RESEARCH_BASIC AND APPLIED RESEARCH	1,841	-	-	-	-	1,841
10.064 - FORESTRY INCENTIVES PROGRAM	728	-	-	-	-	728
10.200 - GRANTS FOR AGRICULTURAL RESEARCH, SPECIAL RESEARCH GRANTS	302,709	-	-	-	-	302,709
10.202 - COOPERATIVE FORESTRY RESEARCH	96,795	-	-	-	-	96,795
10.203 - PAYMENTS TO AGRICULTURAL EXPERIMENT STATIONS UNDER THE HATCH ACT	4,581,878	-	-	-	-	4,581,878
10.206 - GRANTS FOR AGRICULTURAL RESEARCH_COMPETITIVE RESEARCH GRANTS	18,583	-	-	-	-	18,583
10.223 - HISPANIC SERVING INSTITUTIONS EDUCATION GRANTS	287,488	-	-	-	-	287,488
10.250 - AGRICULTURAL AND RURAL ECONOMIC RESEARCH	368,477	-	-	-	-	368,477
10.303 - INTEGRATED PROGRAMS	31,647	-	-	-	-	31,647
10.479 - FOOD SAFETY COOPERATIVE AGREEMENTS	-	-	-	-	13,069	13,069
10.500 - COOPERATIVE EXTENSION SERVICE	7,724,919	-	-	-	-	7,724,919
10.558 - CHILD AND ADULT CARE FOOD PROGRAM	-	-	-	-	9,556	9,556
10.652 - FORESTRY RESEARCH	60,693	-	-	-	-	60,693
10.664 - COOPERATIVE FORESTRY ASSISTANCE	3,876	-	-	-	-	3,876
10.675 - URBAN AND COMMUNITY FORESTRY PROGRAM	-	-	-	-	22,063	22,063
10.680 - FOREST HEALTH PROTECTION	-	-	-	-	10,092	10,092
10.902 - SOIL AND WATER CONSERVATION	-	-	-	-	57,981	57,981
10.912 - ENVIRONMENTAL QUALITY INCENTIVES PROGRAM	-	-	-	-	78,740	78,740
	13,479,634	-	-	-	191,500	13,671,135
Department of Commerce (DOC)						
11.303 - ECONOMIC DEVELOPMENT_TECHNICAL ASSISTANCE	-	-	-	-	115,376	115,376
11.417 - SEA GRANT SUPPORT	1,218,779	-	-	-	-	1,218,779
11.420 - COASTAL ZONE MANAGEMENT ESTUARINE RESEARCH RESERVES	15,912	-	-	-	-	15,912
11.426 - FINANCIAL ASSISTANCE FOR NATIONAL CENTERS FOR COASTAL OCEAN SCIENCE	312,169	-	-	-	-	312,169
11.432 - OFFICE OF OCEANIC AND ATMOSPHERIC RESEARCH (OAR) JOINT AND COOPERATIVE	178,786	-	-	-	-	178,786
11.435 - SOUTHEAST AREA MONITORING AND ASSESSMENT PROGRAM	-	-	-	-	84,923	84,923
11.463 - HABITAT CONSERVATION	-	-	-	-	16,759	16,759
11.467 - METEOROLOGIC AND HYDROLOGIC MODERNIZATION DEVELOPMENT	-	-	-	-	115,125	115,125
11.468 - APPLIED METEOROLOGICAL RESEARCH	130,142	-	-	-	-	130,142

University of Puerto Rico

Schedule of Expenditures of Federal Awards (continued)

CFDA - Program Title	Research and Development Cluster	Student Financial Assistance Cluster	Trio Cluster	Higher Education Institutional Aid	Other Federal Expenditures	Grand Total
11.473 - COASTAL SERVICES CENTER	-	-	-	-	497,757	497,757
11.478 - CENTER FOR SPONSORED COASTAL OCEAN RESEARCH_COASTAL OCEAN PROGRAM	406,078	-	-	-	-	406,078
11.609 - MEASUREMENT AND ENGINEERING RESEARCH AND STANDARDS	50,341	-	-	-	-	50,341
	<u>2,312,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>829,939</u>	<u>3,142,146</u>
Department of Defense (DoD)						
12.300 - BASIC AND APPLIED SCIENTIFIC RESEARCH	298,342	-	-	-	-	298,342
12.420 - MILITARY MEDICAL RESEARCH AND DEVELOPMENT	208,478	-	-	-	-	208,478
12.431 - BASIC SCIENTIFIC RESEARCH	1,840,139	-	-	-	-	1,840,139
12.609 - SELECTED RESEARCH EDUCATIONAL ASSISTANCE	-	-	-	-	391	391
12.630 - BASIC, APPLIED, AND ADVANCED RESEARCH IN SCIENCE AND ENGINEERING	63,040	-	-	-	-	63,040
12.901 - MATHEMATICAL SCIENCES GRANTS PROGRAM	-	-	-	-	806,184	806,184
12.910 - RESEARCH AND TECHNOLOGY DEVELOPMENT	3,636	-	-	-	-	3,636
	<u>2,413,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>806,575</u>	<u>3,220,209</u>
Department of Housing and Urban Development (HUD)						
14.511 - COMMUNITY OUTREACH PARTNERSHIP CENTER PROGRAM	-	-	-	-	2,935	2,935
14.514 - HISPANIC-SERVING INSTITUTIONS ASSISTING COMMUNITIES	-	-	-	-	119,942	119,942
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,877</u>	<u>122,877</u>
Department of the Interior (DOI)						
15.615 - COOPERATIVE ENDANGERED SPECIES CONSERVATION FUND	-	-	-	-	37,814	37,814
15.632 - CONSERVATION GRANTS PRIVATE STEWARDSHIP FOR IMPERILED SPECIES	-	-	-	-	4,994	4,994
15.805 - ASSISTANCE TO STATE WATER RESOURCES RESEARCH INSTITUTES	96,380	-	-	-	-	96,380
	<u>96,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,808</u>	<u>139,188</u>
Department of Justice (DOJ)						
16.525 - GRANTS TO COMBAT DOMESTIC VIOLENCE, DATING VIOLENCE, SEXUAL ASSAULT, AND	-	-	-	-	208,600	208,600
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>208,600</u>	<u>208,600</u>
Department of Labor (DOL)						
17.502 - OCCUPATIONAL SAFETY AND HEALTH_SUSAN HARWOOD TRAINING GRANTS	-	-	-	-	262,028	262,028
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>262,028</u>	<u>262,028</u>
Department of State (DOS)						
19.404 - PROFESSIONAL DEVELOPMENT_INTERNATIONAL EDUCATORS/ADMINISTRATORS	-	-	-	-	5,370	5,370
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,370</u>	<u>5,370</u>
Department of Transportation (DOT)						
20.215 - HIGHWAY TRAINING AND EDUCATION	-	-	-	-	27,893	27,893
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,893</u>	<u>27,893</u>

University of Puerto Rico

Schedule of Expenditures of Federal Awards (continued)

CFDA - Program Title	Research and Development Cluster	Student Financial Assistance Cluster	Trio Cluster	Higher Education Institutional Aid	Other Federal Expenditures	Grand Total
National Aeronautics and Space Ad (NASA)						
43.001 - AEROSPACE EDUCATION SERVICES PROGRAM	-	-	-	-	2,195,005	2,195,005
43.002 - TECHNOLOGY TRANSFER	-	-	-	-	(2,832)	(2,832)
	-	-	-	-	2,192,173	2,192,173
National Endowment for the Humanities (NEH)						
45.129 - PROMOTION OF THE HUMANITIES_FEDERAL/STATE PARTNERSHIP	5	-	-	-	-	5
45.149 - PROMOTION OF THE HUMANITIES_DIVISION OF PRESERVATION AND ACCESS	12	-	-	-	-	12
	17	-	-	-	-	17
National Science Foundation (NSF)						
47.041 - ENGINEERING GRANTS	1,379,790	-	-	-	-	1,379,790
47.049 - MATHEMATICAL AND PHYSICAL SCIENCES	-	-	-	-	1,759,877	1,759,877
47.050 - GEOSCIENCES	188,156	-	-	-	-	188,156
47.070 - COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	407,139	-	-	-	-	407,139
47.073 - SCIENCE AND TECHNOLOGY CENTERS	(234)	-	-	-	-	(234)
47.074 - BIOLOGICAL SCIENCES	2,141,249	-	-	-	-	2,141,249
47.075 - SOCIAL, BEHAVIORAL, AND ECONOMIC SCIENCES	-	-	-	-	7,622	7,622
47.076 - EDUCATION AND HUMAN RESOURCES	8,548,007	-	-	-	-	8,548,007
47.079 - INTERNATIONAL SCIENCE AND ENGINEERING (OISE)	11,100	-	-	-	-	11,100
	12,675,208	-	-	-	1,767,499	14,442,707
Veterans Affairs (VA)						
64.117 - SURVIVORS AND DEPENDENTS EDUCATIONAL ASSISTANCE	-	-	-	-	345	345
64.125 - VOCATIONAL AND EDUCATIONAL COUNSELING FOR SERVICEMEMBERS AND VETERANS	-	-	-	-	146	146
	-	-	-	-	491	491
Environmental Protection Agency (EPA)						
66.034 - SURVEYS, STUDIES, INVESTIGATIONS, DEMONSTRATIONS AND SPECIAL PURPOSE ACTIVITIES	45,089	-	-	-	-	45,089
66.513 - GREATER RESEARCH OPPORTUNITIES (GRO) FELLOWSHIPS FOR UNDERGRADUATE/GRADUATE	-	-	-	-	11,688	11,688
66.714 - PESTICIDE ENVIRONMENTAL STEWARDSHIP REGIONAL GRANTS	33	-	-	-	-	33
	45,122	-	-	-	11,688	56,810
Nuclear Regulatory Commission (NRC)						
77.006 - U. S. NUCLEAR REGULATORY COMMISSION NUCLEAR EDUCATION GRANT PROGRAM	114,845	-	-	-	-	114,845
	114,845	-	-	-	-	114,845
Department of Energy (DOE)						
81.041 - STATE ENERGY PROGRAM	-	-	-	-	158,250	158,250
81.049 - OFFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM	-	-	-	-	202,294	202,294
81.089 - FOSSIL ENERGY RESEARCH AND DEVELOPMENT	78,289	-	-	-	-	78,289
	78,289	-	-	-	360,544	438,833

University of Puerto Rico

Schedule of Expenditures of Federal Awards (continued)

CFDA - Program Title	Research and Development Cluster	Student Financial Assistance Cluster	Trio Cluster	Higher Education Institutional Aid	Other Federal Expenditures	Grand Total
Department of Education (ED)						
84.007 - FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS		2,856,429	-	-	-	2,856,429
84.031 - HIGHER EDUCATION_INSTITUTIONAL AID (TITLE V)	-	-	-	2,938,591	-	2,938,591
84.033 - FEDERAL WORK-STUDY PROGRAM		4,714,860	-	-	-	4,714,860
84.042 - TRIO_STUDENT SUPPORT SERVICES	-	-	2,306,584	-	-	2,306,584
84.044 - TRIO_TALENT SEARCH	-	-	872,906	-	-	872,906
84.047 - TRIO_UPWARD BOUND	-	-	1,157,371	-	-	1,157,371
84.063 - FEDERAL PELL GRANT PROGRAM	-	141,103,741	-	-	-	141,103,741
84.069 - LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	-	89,611	-	-	-	89,611
84.103 - TRIO STAFF TRAINING PROGRAM	-	-	264,261	-	-	264,261
84.120 - MINORITY SCIENCE AND ENGINEERING IMPROVEMENT	-	-	-	-	523,309	523,309
84.129 - REHABILITATION LONG-TERM TRAINING	-	-	-	-	186,904	186,904
84.186 - SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES_STATE GRANTS	-	-	-	-	5,903	5,903
84.217 - TRIO_MCNAIR POST-BACCALAUREATE ACHIEVEMENT	-	-	188,928	-	-	188,928
84.224 - ASSISTIVE TECHNOLOGY	-	-	-	-	454,669	454,669
84.298 - STATE GRANTS FOR INNOVATIVE PROGRAMS	-	-	-	-	531	531
84.342 - PREPARING TOMORROW'S TEACHERS TO USE TECHNOLOGY	(100)	-	-	-	-	(100)
84.367 - IMPROVING TEACHER QUALITY STATE GRANTS	-	-	-	-	23	23
84.375 - ACADEMIC COMPETITIVENESS GRANTS	-	6,471,922	-	-	-	6,471,922
84.376 - NATIONAL SCIENCE AND MATHEMATICS ACCESS TO RETAIN TALENT (SMART) GRANTS	-	5,771,250	-	-	-	5,771,250
84.378 - COLLEGE ACCESS CHALLENGE GRANT PROGRAM	-	-	-	-	221,443	221,443
	(100)	161,007,812	4,790,049	2,938,591	1,392,782	170,129,134
Department of Health and Human Services (HHS)						
93.015 - HIV PREVENTION PROGRAMS FOR WOMEN	-	-	-	-	42,559	42,559
93.110 - MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	-	-	-	-	46,070	46,070
93.121 - ORAL DISEASES AND DISORDERS RESEARCH	841,521	-	-	-	-	841,521
93.127 - EMERGENCY MEDICAL SERVICES FOR CHILDREN	119,568	-	-	-	-	119,568
93.157 - CENTERS OF EXCELLENCE	-	-	-	-	5,519	5,519
93.215 - HANSEN'S DISEASE NATIONAL AMBULATORY CARE PROGRAM	-	-	-	-	66,888	66,888
93.217 - FAMILY PLANNING_SERVICES	-	-	-	-	2,720,867	2,720,867
93.226 - RESEARCH ON HEALTHCARE COSTS, QUALITY AND OUTCOMES	294,802	-	-	-	-	294,802
93.236 - GRANTS FOR DENTAL PUBLIC HEALTH RESIDENCY TRAINING	-	-	-	-	191,347	191,347
93.242 - MENTAL HEALTH RESEARCH GRANTS	1,698,437	-	-	-	-	1,698,437
93.243 - SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL	-	-	-	-	45,509	45,509
93.247 - ADVANCED EDUCATION NURSING GRANT PROGRAM	-	-	-	-	856,225	856,225
93.262 - OCCUPATIONAL SAFETY AND HEALTH PROGRAM	79,389	-	-	-	-	79,389
93.273 - ALCOHOL RESEARCH PROGRAMS	84,874	-	-	-	-	84,874
93.278 - DRUG ABUSE NATL RESEARCH SVCE AWARDS-RSCH TRAIING	(2)	-	-	-	-	(2)
93.279 - DRUG ABUSE AND ADDICTION RESEARCH PROGRAMS	418,978	-	-	-	-	418,978
93.281 - MENTAL HEALTH RESEARCH CAREER/SCIENTIST DEVELOPMENT AWARDS	115,984	-	-	-	-	115,984

University of Puerto Rico

Schedule of Expenditures of Federal Awards (continued)

CFDA - Program Title	Research and Development Cluster	Student Financial Assistance Cluster	Trio Cluster	Higher Education Institutional Aid	Other Federal Expenditures	Grand Total
93.282 - MENTAL HEALTH NATIONAL RESEARCH SERVICE AWARDS FOR RESEARCH TRAINING	266,856	-	-	-	-	266,856
93.283 - CENTERS FOR DISEASE CONTROL AND PREVENTION INVESTIGATIONS AND TECHNICAL	455,014	-	-	-	-	455,014
93.307 - MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH	2,123,599	-	-	-	-	2,123,599
93.333 - GENERAL CLINICAL RESEARCH CENTERS	15,418	-	-	-	-	15,418
93.358 - ADVANCED EDUCATION NURSING TRAINEESHIPS	-	-	-	-	41,850	41,850
93.361 - NURSING RESEARCH	69,247	-	-	-	-	69,247
93.375 - MINORITY BIOMEDICAL RESEARCH SUPPORT	(77,499)	-	-	-	-	(77,499)
93.389 - NATIONAL CENTER FOR RESEARCH RESOURCES	13,039,626	-	-	-	-	13,039,626
93.397 - CANCER CENTERS SUPPORT GRANTS	1,519,239	-	-	-	-	1,519,239
93.398 - CANCER RESEARCH MANPOWER	164,346	-	-	-	-	164,346
93.399 - CANCER CONTROL	88,237	-	-	-	-	88,237
93.591 - FAMILY VIOLENCE PREVENTION AND SERVICES/GRANTS FOR BATTERED WOMEN'S	-	-	-	-	13,177	13,177
93.632 - UNIVERSITY CENTERS FOR EXCELLENCE IN DEVELOPMENTAL DISABILITIES EDUCATION,	527,201	-	-	-	-	527,201
93.821 - CELL BIOLOGY AND BIOPHYSICS RESEARCH	1,742	-	-	-	-	1,742
93.837 - HEART AND VASCULAR DISEASES RESEARCH	115,278	-	-	-	-	115,278
93.838 - LUNG DISEASES RESEARCH	50,103	-	-	-	-	50,103
93.853 - EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL	3,232,347	-	-	-	-	3,232,347
93.854 - BIOLOGICAL BASIS RESEARCH IN THE NEUROSCIENCES	261	-	-	-	-	261
93.855 - ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	2,328,519	-	-	-	-	2,328,519
93.859 - BIOMEDICAL RESEARCH AND RESEARCH TRAINING	8,961,322	-	-	-	-	8,961,322
93.865 - CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH	799,475	-	-	-	-	799,475
93.880 - PHS MINORITY ACCESS TO RESEARCH CAREERS	1,103,424	-	-	-	-	1,103,424
93.884 - GRANTS FOR TRAINING IN PRIMARY CARE MEDICINE AND DENTISTRY	-	-	-	-	629,588	629,588
93.925 - SCHOLARSHIPS FOR HEALTH PROFESSIONS STUDENTS FROM DISADVANTAGED BACKGROUNDS	-	993,943	-	-	-	993,943
93.964 - PUBLIC HEALTH TRAINEESHIPS	-	-	-	-	16,734	16,734
	<u>38,437,306</u>	<u>993,943</u>	<u>-</u>	<u>-</u>	<u>4,676,334</u>	<u>44,107,583</u>
Department of Homeland Security (DHS)						
97.029 - FLOOD MITIGATION ASSISTANCE	-	-	-	-	10,000	10,000
97.062 - SCHOLARS AND FELLOWS, AND EDUCATIONAL PROGRAMS	-	-	-	-	83,286	83,286
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,286</u>	<u>93,286</u>
Total Expenditures of Federal Awards	<u>\$ 70,673,428</u>	<u>\$ 162,001,755</u>	<u>\$ 4,790,049</u>	<u>\$ 3,661,881</u>	<u>\$ 20,941,732</u>	<u>\$ 262,068,845</u>

See accompanying notes.

University of Puerto Rico

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all Federal Awards Programs of the University of Puerto Rico. The University's reporting entity is defined in the notes to the financial statements.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

3. Matching Costs

Matching costs, such as the nonfederal share of certain program costs, are not included in the accompanying Schedule.

4. Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of Federal financial reports vary by Federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the Federal financial reports do not necessarily agree with the amounts reported in the accompanying schedule, which is prepared on the basis explained in Note 2.

Office of Management and Budget (OMB) Circular A-133 requires that Federal financial reports for claims for advances and reimbursements contain information that is supported by the books and records from which the basic financial statements have been prepared. The University's prepares the Federal financial reports and claims for reimbursements primarily based on information from the internal accounting records of the respective Campuses.

5. Relationship to Financial Statements

Federal awards revenues and expenses are reported in the University's statement of revenues, expenses and changes in net assets in accordance with standards issued by the Government Accounting Standards Board (GASB) No. 35. Because the Schedule of Expenditures of Federal Awards presents only Federal activities of the University, it is not intended to and does not present either the financial position, assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows, as a whole.

University of Puerto Rico

Notes to Schedule of Expenditures of Federal Awards (continued)

6. Program Clusters

OMB Circular A-133 defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, the TRIO programs, Research and Development programs, and the Student Financial Assistance programs were identified as clusters.

7. Federal Student Loan Program

Direct Loan Programs

The Federal Perkins Loan, Health Professions Student Loan (HPSL), and Nursing Student Loan (NSL) are administered directly by the University and balances and transactions related to these programs are included in the University's basic financial statements.

The balances of loans outstanding at June 30, 2009, and funds advanced by the University to eligible students during the year ended June 30, 2009, under the Federal student loan programs are summarized as follows:

	Federal Perkins Loan Program	HPSL Program	NSL Program	Total
Student loans receivable, June 30, 2009	\$1,525,573	\$245,960	\$157,211	\$1,928,744
Less:				
Collections	(100,461)	–	(379)	(100,840)
Cancellations	(20,061)	–	–	(20,061)
Student loans receivable, June 30, 2010	\$1,405,051	\$245,960	\$156,832	\$1,807,843

University of Puerto Rico

Notes to Schedule of Expenditures of Federal Awards (continued)

7. Federal Student Loan Programs (continued)

Federal Family Education Loan

The University is responsible only for the performance of certain administrative duties with respect to the Federal Family Education Loan. Accordingly, balances and transactions relating to this loan program are not included in the University's basic financial statements. No new loans were originated or disbursed during 2008-2009. Therefore, it is not practical to determine the balance of loans outstanding to students and former students of the University at June 30, 2009.

Federally guaranteed loans issued to students of the University during the year ended June 30, 2009, are summarized as follows:

	<u>CFDA#</u>	<u>2009</u>
Federal Family Education Loan	84.032	<u>\$ 46,766,260</u>

8. Subsequent Events

During April 2010, student's protests caused the University to suspend operations. On June 24, 2010, the Middle States Commission on Higher Education placed the University on probation. As a result of the probation status established, the University received a communication from the Department of Education informing the University that it needs to reapply to resume participation in the Federal student aid programs. The University expects a favorable determination from the Department of Education.

University of Puerto Rico

Schedule of Findings and Questioned Costs

June 30, 2009

Part I—Summary of Auditor’s Results

Financial Statements Section

Type of auditor’s report issued (unqualified, qualified, adverse, or disclaimer):

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	None reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No

Federal Awards Section

Internal control over major programs:

Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> X </u>	Yes	<u> </u>	No

Type of auditor’s report issued on compliance for major programs (unqualified, qualified, adverse, or disclaimer):

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?

<u> X </u>	Yes	<u> </u>	No
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Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Various	Student Financial Assistance Cluster
Various	Research and Development Cluster
Various	Trio Cluster
84.031	Higher Education Institutional Aid

Dollar threshold used to distinguish between Type A and Type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

<u> </u>	Yes	<u> X </u>	No
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University of Puerto Rico

Schedule of Findings and Questioned Costs (continued)

Part II—Findings Related to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

Finding Number: 09-01 – Financial Statement Close Process

Criteria or Specific Requirement

A fundamental element of a sound system of internal controls is an effective financial statement close process. Such a process is essential in enabling organizations to prepare timely and accurate financial statements. This process helps to ensure that all financial transactions are properly recorded, appropriately supported and subjected to supervisory review. The financial statement close process begins with accounting data recorded in the University's general ledger and culminates in the preparation of the University's financial statements, including identification and documentation of the relevant disclosures that are required under generally accepted accounting principles.

Condition

During our audit, we noted deficiencies in the University's financial statement close process, including the following:

- Multiple audit/post-closing entries that were not initially identified by the University's internal controls were required to properly record revenue and expense activity, accounts receivable activity, and certain liabilities. These entries were considered material to the financial statements.
- The compilation of financial data and reconciliation processes are not completed in a timely manner. The lack of procedures and controls in these areas result in inefficiencies during the financial statements preparation process.

Effect

There were numerous post-closing and audit adjustments that were recorded by the University as noted above.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part II—Findings Related to the Financial Statements which are Required to be
Reported in Accordance with Generally Accepted Government Auditing
Standards (continued)

Finding Number: 09-01 – Financial Statement Close Process

Criteria or Specific Requirement

A fundamental element of a sound system of internal controls is an effective financial statement close process. Such a process is essential in enabling organizations to prepare timely and accurate financial statements. This process helps to ensure that all financial transactions are properly recorded, appropriately supported and subjected to supervisory review. The financial statement close process begins with accounting data recorded in the University's general ledger and culminates in the preparation of the University's financial statements, including identification and documentation of the relevant disclosures that are required under generally accepted accounting principles.

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- The compilation of financial data and reconciliation processes are not completed in a timely manner. The lack of procedures and controls in these areas result in inefficiencies during the financial statements preparation process.

Effect

There were numerous post-closing and audit adjustments that were recorded by the University as noted above.

University of Puerto Rico

Schedule of Findings and Questioned Costs (continued)

Part II—Findings Related to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards (continued)

Finding Number: 09-01 – Financial Statement Close Process (continued)

Cause

The lack of adequate controls during the implementation of the new accounting system has resulted in an ineffective and inefficient financial statements close process.

Recommendation

Management should improve the annual closing process, including more effective monitoring controls over financial information. All general ledger accounts should be supported by reconciliations, rollforward schedules and other appropriate documentation which are timely reviewed at two levels, and evidenced by supervisory and signature approval. Journal entries should be supported by complete documentation and timely reviewed as well as reviewing the processing of journal entries at year-end.

All accounting judgments and estimates should also be properly supported and reviewed. In reviewing and developing the closing process, the University should ensure that it has sufficient accounting personnel with the appropriate experience and training to effectively perform the financial statement close process. Additionally, key accounting personnel need to review the draft financial statements for correctness of accounting, presentation and disclosure prior to its presentation to the auditors. This may include holding internal training programs for the preparers and first level reviewers related to the financial statement close process.

Management's Response

During the fiscal years 2008-09, all the UPR efforts were addressed to achieve one of the major institutional projects, the implementation of the Oracle E-Business Suite Application as its new financial information system. During this first phase, the University has implemented the core financial modules, which are Purchasing, Accounts Payable, and General Ledger. In fact, we have to highlight that in this fiscal year, the new system was fully implemented across all academic campuses, which are eleven operating units in total, representing the small, medium and large campuses as well.

University of Puerto Rico

Schedule of Findings and Questioned Costs (continued)

Part II—Findings Related to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards (continued)

Finding Number: 09-01 – Financial Statement Close Process (continued)

Management's Response (continued)

As part of the implementation plan, we have been involved in converting the financial data from the legacy system, as well as providing the required manuals and trainings to the financial users, so they can learn how to handle and manage the new information system. Despite the controls observed and carefully kept during this phase of the project, we recognize that the UPR experienced difficulties that have prevented timely monthly accounting closings, and therefore, delayed the year-end closing process.

As in any implementation project, those difficulties can be expected since the new system is built on a different platform and programming structure, that required different configurations, along with a new financial reporting package. Although the financial operating procedures have not changed, some time for adjustments is required, especially for the financial users, to be totally acquainted with the system operation and the inter-relationship between the financial modules.

In order to minimize the issues faced during the implementation year, during fiscal year 2009-10, after getting more knowledge about the new financial system structure, the UPR has made some technical configurations changes that has improved and facilitate the accounting processes workflow. Indeed, the UPR is presently performing certain technical improvements to address specific accounting items, such as payroll and student system interfaces. Also, a team group has been appointed to identify the financial reporting needs in order to develop the appropriate tools that support the financial users in the corresponding analysis of the account balances as well as the budgeting administration.

In order to correct and enforce the monthly financial closing process, a Circular letter will be issued by the Finance Department of UPR Central Administration to formally define a schedule with detailed tasks to attain the monthly accounting process on time.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part II—Findings Related to the Financial Statements which are Required to be
Reported in Accordance with Generally Accepted Government Auditing
Standards (continued)

Finding Number: 09-01 – Financial Statement Close Process (continued)

Management’s Response (continued)

There are plans for offering more training at an intermediate level, for the three financial modules: Purchasing, Accounts Payable and General Ledger. This round of trainings will focus on how to strengthen the current operating procedures through the new functionalities available in the Oracle system. In this way, the UPR will develop a knowledgeable group, that will be more efficient in handling and monitoring the accounting and financial issues.

The University is planning to implement in the near future the Cash Management and the Grants Accounting modules. Other financial modules, such as Accounts Receivable and Human Resources will follow.

<u>Contact Person:</u>	Mrs. Nazeerah Elmadah, Accounting Director, UPR Central Administration
<u>Supervisor:</u>	Mr. Anthony Cordero, Finance Director, UPR Central Administration
<u>Expected Completion Date:</u>	March 31, 2011

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs

Finding Number: 09-02

Program

84.032 – FFEL

Category

Compliance and Internal Control/Status change

Criteria or Specific Requirement

34 CFR 682.610 (c)(2)(i)- Establishes that the University shall notify the guaranty agency or lender within 30 days if it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who enrolled at the University, but has ceased to be enrolled on at least a half-time basis, unless the University expects to submit its next student status confirmation report to the Secretary or the guaranty agency within the next 60 days.

Condition

In testing compliance with the requirements of notification in the enrollment status change for students' recipients of Federal loans, we noted exceptions on late reporting or no reporting of status change on the following campuses during the fiscal year 2008-2009:

Campus	Student's status change was not reported	Instances	Student's status change was reported late	Instances
Río Piedras	Graduated	1	Graduated	2
Ponce	Withdraw	1	Withdraw	1
Ponce	Graduated	1	–	–

Known Questioned Cost

None.

Context

We selected 28 cases of students who received Stafford loans and had ceased to be enrolled on at least a half time basis since they graduated or withdrew from their courses.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-02 (continued)

Effect

Failure to notify on a timely basis a change in enrollment status precludes a lender from obtaining the necessary student's information in order to determine his/her status for billing and other required procedures.

Cause

The monitoring of the internal procedures established by the Registrar's Office to ascertain the timely notification of a change in student status needs to be improved.

Recommendation

The Registrar's Office of the campuses previously mentioned should improve the supervision over the procedures established to ascertain the timely notification of any change in status of students' recipients of Federal loans.

Management's Response

In order to comply fully with program requirements, the University of Puerto Rico signed an agreement with the National Clearinghouse. This support will give us the additional tools to submit the appropriate reports duly completed, correct and on a timely basis. At present we are initiating the project at two of our main campuses Río Piedras and Mayagüez. However, we requested from our personnel to comply with program requirements in order to avoid this kind of noncompliance situations until the new system is fully operational.

In the case of the University of Puerto Rico in Ponce, the coordination within the offices of Financial Aid and the Registrars has been strengthened, so the information needed to complete the appropriate reports is correct and shared on a timely basis. Follow-up will be given by means of internal monitoring on an ongoing process.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-02 (continued)

Management's Response (continued)

Río Piedras Campus

Responsible Officials:	Supervisor:
Mr. Juan Aponte Registrar 787 764-0225	Prof. Sonia Balet Dean of Academic Affairs 787 763-3605

Ponce Campus

Responsible Officials:	Supervisor:
Mr. Harry Bengochea Registrar 787 844-8181 Ext. 2540	Dr. Sandra Moyá Guzmán Dean of Students Affairs 787 844-8181 Ext. 2500-2502

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-03

Program

84.063 – PELL Grant

Category

Compliance and Internal Control/Refund

Criteria or Specific Requirement

34 CFR 668.22 (a)(3)(i) – The difference between the amount of Title IV funds earned by the student as determined by the refund calculation and the amount disbursed to the student or on behalf of the student as of the date of the University’s determination that the student withdrew must be returned to the Title IV programs.

Condition

In testing compliance with the return of Title IV funds, we noted that the University did not return to the respective Title IV program the calculated amount of refund to be returned. This condition was noted on the following campuses:

<u>Campus</u>	<u>Instances</u>	<u>Amount</u>
Aguadilla	1	\$529.65
Río Piedras	1	\$290.70

Known Questioned Cost

\$820.35

Context

We selected 29 cases of students who withdrew from their courses during the fiscal year 2008-2009.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-03 (continued)

Effect

This could result in amounts due back to the U.S. Department of Education not being returned and, therefore, sanctions and penalties to the University and/or loss of future participation in program.

Cause

The timing procedures established by the University to make the return of Title IV funds needs to be improved.

Recommendation

The Fiscal office of the campuses mentioned before should improve the monitoring of the timing established for the return of Title IV funds.

Management's Response

Aguadilla Campus

Instructions were issued to the Fiscal Office in order to comply fully with program requirements. Follow-up will be given by means of monitoring activities on an ongoing process. In regards to the student refund from the University of Puerto Rico in Aguadilla such was returned (\$529.65) in December 9, 2009, as per COD records.

Responsible Officials: _____ **Supervisor:** _____

Ms. Damarys Arocho
Fiscal Officer
787-890-2681 Ext. 294

Mrs. Edna Hernández
Dean of Administrative Affairs
787 890-2681 Ext. 210

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-03 (continued)

Management's Response

Río Piedras Campus

A meeting was held with the appropriate office personnel (Fiscal Office) and instructions and procedures were emphasized in order to comply with program requirements. Follow-up will be given by means of internal monitoring activities. As to the refund (\$290.70) from the student from the Río Piedras Campus, such was returned December 5, 2008 as per COD records.

Responsible Officials: _____ Supervisor: _____

Mrs. Luz Esther Sánchez
Fiscal Office Director
787 764-0000 Ext. 84349

Mr. José J. Estrada
Dean of Administration Affairs
787 763-6299

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-04

Program

84.063 – PELL Grant

Category

Compliance/Return of Title IV Funds

Criteria or Specific Requirement

34 CFR 668.22 (a)(5)ii (B)(1) – The University must disburse directly to a student any amount of a post-withdrawal disbursement of grant funds that is not credited to the student's account. The University must make the disbursement as soon as possible, but no later than 45 days after the date of the University's determination that the student withdrew.

Condition

In testing compliance with the return of Title IV funds, we noted that the Río Piedras Campus did not disburse to a student the amount of post-withdrawal disbursement of grant funds that was not credited to his account amounting to \$314.25, within the 45 days time frame established by regulation.

Known Questioned Cost

None.

Context

We selected 29 cases of students who withdraw from their courses during the fiscal year 2008-2009.

Effect

This could result in amounts due back to the U.S. Department of Education not being returned and, therefore, sanctions and penalties to the University and/or loss of future participation in program.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-04 (continued)

Cause

The timing procedures established by the University to make the disbursement of a post-withdrawal of Title IV funds to a student was set for a longer period than the one previously established by the regulation.

Recommendation

The Fiscal Office of the campus previously mentioned should set the timing procedures for the disbursement of a post-withdrawal of Title IV funds in accordance with the actual time frame established in regulation.

Management's Response

Institutional Response

Instructions were issued in order to comply with program regulations. Follow-up will be given by means of internal monitoring activities on an ongoing basis. Post-withdrawal was paid in full.

Responsible Officials: _____ Supervisor: _____

Mrs. Luz Esther Sánchez
Fiscal office Director
787 764-0000 Ext. 84349

Mr. José J. Estrada
Dean of Administration Affairs
787 763-6299

University of Puerto Rico
 Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-05

Program

84.038 – Federal Perkins Loan Program (FPL)

Category

Compliance and Internal Control/Special Tests and Provisions

Criteria or Specific Requirement

34 CFR 674.45-(c)(1)(ii)(B) – If the University, or the firm it engages, pursues collection activity in a defaulted loan for up to 12 months and does not succeed in converting the account to regular repayment status, or the borrower does not qualify for deferment, postponement, or cancellation on the loan, the University shall either attempt to collect the account using institutional personnel, or place the account with a different collection firm if the University first attempted to collect the account by using a collection firm.

Condition

In testing compliance with the collection procedures on Federal Perkins Loan Program, we noted three cases of past due loans referred more than six years ago to an external firm for collection. The accounts have not been converted to regular payment status and there is no evidence of any attempt by the University to collect the accounts using the University personnel or place the accounts with a different collection firm. This condition was noted on the following campuses:

Campus	Instances	Number of years referred
Ponce	2	7
Utuado	1	6

Known Questioned Cost

None.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-05 (continued)

Context

We selected 12 cases of students in the default status on their Perkins' loans during the fiscal year 2008-2009.

Effect

Failure to perform additional steps to locate defaulted borrowers not converted to regular payment by an external firm decrease the opportunity of the University to collect the amounts, therefore affecting directly its default rate.

Cause

The monitoring procedures of the cases referred to the external firm for collection need to be improved.

Recommendation

The claim and collection office of the campuses previously mentioned should strengthen the follow-up procedures to the defaulted cases referred to the external firms at least annually.

Management's Response

Corrective Action

The Claim and Collections offices for the Utuado and Ponce campuses were instructed as to strengthen their procedures. Supervisory meetings were scheduled in order to discuss with the appropriate personnel the procedures and regulations that are to be followed. Follow-up will be given by means of monitoring activities on an ongoing basis.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-05 (continued)

Management's Response (continued)

Utuado Campus

Responsible Officials: _____	Supervisor: _____
Mrs. Marilyn González Collections Officer 787 894-2828 Ext. 2123	Mr. Luis Tapia Dean of Administrative Affairs 787 894-2828 Ext. 2219

Ponce Campus

Responsible Officials: _____	Supervisor: _____
Mr. Pedro Martínez Finance Director 787 844-8535	Mr. Isaac Colón Degro Dean of Administrative Affairs 787 844-8181 Ext. 2200

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-06

Program

84.038 – Federal Perkins Loan Program (FPL)

Category

Compliance and Internal Control/Special Tests and Provisions

Criteria or Specific Requirement

34 CFR 674.45 (a) – The term “collection procedures,” as used in this subpart, includes that series of more intensive efforts, including litigation, to recover amounts owed from defaulted borrowers who do not respond satisfactorily to the demands routinely made as part of the University's billing procedures.

Condition

In testing compliance with the collection procedures on Federal Perkins Loan Program, we did not find evidence of collection efforts to recover the amount due in three defaulted cases. This condition was noted in the Aguadilla campus.

Known Questioned Cost

None.

Context

We selected 12 cases of students in the default status on their Perkins' loans during the fiscal year 2008-2009.

Effect

Failure to perform the required collection procedures on defaulted loans decreases the opportunity to recover these amounts on loans on a timely manner.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-06 (continued)

Cause

The claim and collection office of the campus did not perform additional collection procedures for those students who did not respond to the normal billing procedures.

Recommendation

The claim and collection office of the Aguadilla campus should strengthen the collection procedures in the defaulted cases that do not respond to the billing procedures.

Management's Response

Corrective Action

The Claim and Collections office for the Aguadilla campus was instructed as to strengthen its procedures. Supervisory meetings were scheduled in order to discuss with the appropriate personnel the procedures and regulations that are to be followed. Follow-up will be given by means of monitoring activities on an ongoing basis.

Aguadilla Campus

Responsible Officials: _____ Supervisor: _____

Mrs. Lissette Soto
Collections Officer
787 890-2681 Ext. 212

Prof. Edna Hernández
Dean of Administrative Affairs
787 890-2681 Ext. 210

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-07

Program

CFDA 93.307 – HHS Minority Health and Health Disparities Research
CFDA 93.859 – HHS Biomedical Research and Research Training

Topic

Time and Effort reporting for salary charges to these programs is not monitored properly.

Category

Control/Compliance

Compliance Requirement

Allowable Costs

Condition Found

When performing tests over the University's Time and Effort reporting for salary charges to these programs we noted that several of these reports were never prepared.

Time and Effort reports that presented a compliance exception totaled two out of a total of twenty-four reports tested. Time and Effort reports that presented a control exception totaled one out of twenty-five reports. Subsequent to our audit, these reports were prepared.

Campuses Affected

Cayey

Criteria or Specific Requirement

OMB Circular A-21, J.10

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-07 (continued)

Underlying Cause

The program managers did not comply with the requirement of preparing Time and Effort reports. We noted that the University's project managers are not being held accountable for the missing Time and Effort reports. Therefore, it is difficult to ascertain that time incurred in a given project is the actual time spent on that project and that the time spent on a project meets the requirements of the grant award.

Effect

Inadequate reporting of Time and Effort by employees could lead to overcharging salary expenses to the program and thus reimbursement for potentially unsupported or unallowable costs.

Known Questioned Cost

None.

Recommendation

The University's management should develop a tracking system which reminds project staff of the reports due dates and tracks time per project. Proper supervision and monitoring should take place to ascertain that Time and Effort is being accounted for as incurred. The University should monitor that Time and Effort is being incurred as established by the grant agreement.

Management's Response

University of Puerto Rico at Cayey

The Cayey campus confirmed that after requesting the Time and Effort Reports to all Grant Directors and Investigators, all the documents were finally submitted and duly certified.

As part of the corrective action to be implemented, a complete inventory was prepared to determine the number of grants that are managed and financed with external funds, including the names of the Grant Directors (PI), and the personnel under his/her supervision that must file the Time and Effort Reports. An orientation meeting is scheduled not later than November 30, 2010, to review with them the procedure to comply with this reporting requirement.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-07 (continued)

Management's Response (continued)

University of Puerto Rico at Cayey (continued)

At the same time, the campus is preparing a Reference Guide to Time & Effort Report that will be delivered to the Project Investigators in that meeting, as well as the schedule specifying the due dates for filing the report. The guide will be available in hard copy and also, thru electronic media.

Each semester, the External Resources Office will send reminders through its web page, emphasizing the importance for complying with the Time and Effort procedure. At the end of each academic period, which is during the months of December, May and August, the mentioned Office will also be responsible for sending related email notifications to the Project Investigators and Directors. In order to enforce the true compliance with this requisite, a written statement will be included in the Notification of Intention document, where the Project Investigator or Director formally assumes this commitment.

Contact Person: Mrs. María M. Santiago, Acting Dean of Administration of Cayey

Systemic Efforts at the Research and Technology Vice Presidency

The University recognizes the significant importance of the Time and Effort reporting requirement and most of all, the serious consequences that the University would face by been in non-compliance with this procedure. Taking this into account and in order to implement a standard institutional procedure to be used system wide, the University has evaluated various Time and Efforts software systems that will monitor tracking and provide feedback for proper supervision. The UPR has completed the evaluation of the proposals submitted from the various software providers and has chosen MAXIMUS, Inc. to provide technology and consulting services for a successful implementation of Time and Effort Tracking System.

In fact, the software has already been acquired and the implementation project is actually at planning phase. The Project Planning Meeting is scheduled for October 20, 2010.

Contact Person: Mrs. Vivian Febo, PhD, Acting Research and Technology Vice President

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-08

Program

All Research and Development Programs
TRIO Cluster Programs
CFDA 84.031 – Higher Education Institutional Aid Program

Topic

Lack of documentation of physical inventory observations.

Category

Internal Control/Compliance

Compliance Requirement

Equipment and Real Property Management

Campuses Affected

Research and Development Programs

- Mayagüez
- Medical Sciences Campus
- Agricultural Service Station
- Río Piedras Campus

TRIO Cluster Programs

- Utuado

Higher Education Institutional Aid Program

- Arecibo
- Bayamón
- Ciencias Médicas

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-08 (continued)

Criteria or Specific Requirement

OMB Circular A-110 (§__.22)

OMB Circular A-110 (§__.23)

OMB Circular A-110 (§__.34)

Underlying Cause

The University could not provide evidence that a physical inventory observation is taking place for the campuses mentioned above. This observation should be made in order to verify the existence, current utilization, and continued need for the equipment that was purchased with Federal monies.

Effect

Due to the lack of a physical inventory observation, the University will not be able to:

- a. Verify the current utilization of the equipment.
- b. Verify the existence of the equipment, in case the equipment is lost or stolen.

Known Questioned Cost

None.

Recommendation

The University's management should verify that the required physical inventory observations take place in a timely manner and that these procedures are properly documented.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-08 (continued)

Management's Response

Research and Development Programs

As stated by the Certification Number 62, issued by the University Board of Trustees in fiscal year 1994-1995, as amended, which regulates the appropriate control for the personal property and equipment acquired by the University, the physical property inventory takings must be conducted annually at the end of the fiscal year. However, this Certification also allows to the Directors of Inventory Units that if the inventory cannot be taken in full at the stated date because of the high volume of property, it could be scheduled at different dates, but emphasize that it must be taken at least once a year.

Accordingly, the following three campuses, Río Piedras, Mayagüez, and the Agricultural Service Station, all have confirmed that they are complying with the annual property physical inventory takings. Besides, those campuses also certified that they have established a formal methodology in order to perform the required process, and have followed the required measures to properly classify the equipment acquired with Federal funds. The only campus that acknowledged that since 2005, is not fulfilling the standard procedure established by the above mentioned Certification is Medical Sciences Campus (RCM).

Medical Sciences Campus

In order to correct this deficiency, RCM has stated a Working Plan to be observed every year during the period from January to May 15. This schedule will allow them to certify the balances of personal property and equipment for the fiscal year ending process. Unfortunately, for the fiscal year 2009-2010, they have experienced certain delay to fulfill the proposed dates due to the service interruption resulting from the student strike that began at the end of April. Therefore, an updated schedule was requested to them by Central Administration Finance Office.

Contact Person: Mrs. Maribel Hernández, RCM Acting Finance Director

Supervisor: Mr. Eleuterio Pomales, Acting Dean of Administration

Expected Completion Date: December 15, 2010

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-08 (continued)

Management's Response (continued)

TRIO Cluster Programs

From the Trio Cluster detailed above, Talent Search is the only program that actually is managed by the University of Puerto Rico at Utuado.

According to the Certification Number 62, issued by the University Board of Trustees in fiscal year 1994-1995, as amended, which states the appropriate control for the personal property and equipment acquired by the University, Utuado is complying with the physical inventory taking in an annual basis. As an internal financial procedure, it was determined to be performed at the end of the fiscal year, during the months of April or May.

For the fiscal year audited 2008-2009, the property physical inventory taking was certified on April 8, 2009 by Mrs. Nilsa R. Fresse, Property Auxiliary Officer, appointed for Talent Search Program.

As a matter of fact, the last physical inventory was taken on March 10, 2010, and as such, was certified by the Program Director, Mrs. Nora Cabrera Cruz.

Contact Persons: Mrs. Lilliam Montalvo, Utuado Property Division Officer in Charge

Mrs. Carmen Torres, Property Auxiliary

Higher Education Institutional Aid Program

- Arecibo Campus

According to the Certification Number 62, issued by the University Board of Trustees in fiscal year 1994-1995, as amended, which states the appropriate control for the personal property and equipment acquired by the University, Arecibo is complying with the physical inventory taking in an annual basis.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-08 (continued)

Management's Response (continued)

Higher Education Institutional Aid Program (continued)

- Arecibo Campus (continued)

During the past fiscal years 2007-2008 and 2008-2009, the physical inventory taking for Title V program was certified by Mr. Philippe Scott, Program Director, on May 29, 2008 and May 22, 2009, respectively, and were verified by Mrs. Nidza Alicea Rodríguez, the Arecibo Property's Division Officer in Charge.

- Bayamón Campus

According to the Certification Number 62, issued by the University Board of Trustees in fiscal year 1994-1995, as amended, which states the appropriate control for the personal property and equipment acquired by the University, Bayamón is complying with the physical inventory taking in an annual basis. For the fiscal year 2008-2009, this process was performed during the months from February to April.

The Equipment Detailed Report for the year ended June 30, 2009, better known as PRO022-06.PRT, was sent to the auditors by email on November 20, 2010. The corresponding equipment balances for Title V was shown on pages 212 to 218 and were clearly identified with the program title under Department Number 22.

Medical Sciences Campus

The Medical Sciences Campus acknowledged that they were not taking the physical equipment inventory since 2005, as required by the Certification Number 62, issued by the University Board of Trustees in fiscal year 1994-1995, as amended. This certification requires that the physical property inventory takings be conducted at least once during in a fiscal year, but allows the units or campuses the discretion to select the dates or periods to performed this task.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-08 (continued)

Management's Response (continued)

Medical Sciences Campus (continued)

In order to correct this deficiency, they stated a Working Plan to be observed every year that will begin since January to May 15, in order to certify the balances that will be considered for fiscal year ending process. For fiscal year 2009-2010, an updated schedule was requested by Central Administration Finance Office.

<u>Contact Person:</u>	Mrs. Maribel Hernández, RCM Acting Finance Director
<u>Supervisor:</u>	Mr. Eleuterio Pomales, Acting Dean of Administration
<u>Expected Completion Date:</u>	December 15, 2010

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-09

Program

CFDA 93.389 – National Center for Research Sources

Topic

Duplication of payment for the purchase of equipment.

Category

Compliance and Internal Control

Compliance Requirement

Allowable Costs/Cash Management

Condition Found

When performing tests over the University's Equipment Controls, we noticed that equipment bought with Federal monies by the Medical Sciences Campus was paid for twice.

The total amount paid by the University amounted to \$12,400, the total amount that should have been paid by the University per the vendors invoice was \$6,200.

Campuses Affected

Medical Sciences Campus

Criteria or Specific Requirement

OMB Circular A-21, D.1

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-09 (continued)

Underlying Cause

The University did not document that payment for equipment purchased had already taken place; therefore, the University re-issued a check for the \$6,200 duplicating the amount that had to be paid to the vendor.

Not only did the University pay for the equipment twice, but it also requested reimbursement from the Federal government twice as well (total amount of \$12,400).

Effect

The amount of \$6,200 should be reimbursed to the Federal government.

Known Questioned Cost

\$6,200

Recommendation

The Medical Sciences Campus management should establish controls in order to ensure that payments made to vendors are being registered in the system in a timely basis and that these payments are matched to their corresponding vendor invoice.

Management's Response

This finding was pointed out and duly informed during the auditors' test by the Medical Sciences Campus accounting personnel (MSC).

The equipment cost amounted to \$6,200 and was acquired through a formal PO. The original payment was issued on April 22, 2009, after the proper matching between PO, invoice and receiving report was performed through the Accounts Payable module. However, the same invoice was also recorded as a direct payment, but with a dot added at the end, causing the FRS System to issue a new check for second time on May 5, 2009. Immediately after the finding, the MSC requested the reimbursement to the supplier and the funds were collected back on December 11, 2009.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-09 (continued)

Management's Response (continued)

As a corrective action, a communication dated February 11, 2010, was sent by the MSC Finance Department to the CRAIC Project Director, for instructing the Accounts Payable personnel from that division to perform the duly review process of each invoice before recording it for payment.

Furthermore, Central Administration Finance Department will issue a Circular Letter, instructing to all units that the standard operating procedure requires that the invoice number must be recorded as stated by the supplier since this is the most important data by which the supplier referred to in the corresponding account statements. If for any reason this number has to be modified during the recording process, it must follow a standardized format, be duly documented on the payment voucher, and will also required the approval from the AP Supervisor. The practice of modifying the invoice number without the due verification process must be disallowed immediately in order to avoid the risk of duplicate payments.

Also, a follow-up was made by Central Administration Finance Department to RCM to ascertain that the unallowable cost be reimbursed immediately to the Federal agency. RCM informed that since the project is still an active one, they will proceed with an adjustment in the budgetary project account, and as such, the mentioned cost of \$6,200 will be discounted in the next request for reimbursement to be sent to the Federal agency.

Contact Person: Mrs. Antonia Reyes, RCM Accounting Supervisor

Supervisor: Mrs. Maribel Hernández, RCM Finance Director

Expected Completion Date: As per informed by Mrs. Antonia Reyes, the adjusting entry will be recorded and posted to General Ledger as of September 29, 2010.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-10

Programs

CFDA 84.042 – Student Support Services
CFDA 84.044 – Talent Search
CFDA 84.047 – Upward Bound

Topic

The University did not provide evidence of internal control procedure to verify that earmarking requirement was met.

Category

Control

Compliance Requirement

Earmarking Requirement

Condition Found

As a result of our audit procedures, we were unable to find controls and to ascertain that the University complies with the earmarking requirement. The University affirmed that before students are registered in a given program, the University verifies if the earmarking requirements are met. We were not provided with evidence that demonstrated that this verification was being performed.

Criteria or Specific Requirement

34 CFR sections 646.3 and 646.7
34 CFR sections 643.3

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-10 (continued)

Underlying Cause

The result of our audit procedures indicates that the University does not maintain adequate documentation that serves as evidence of the internal control process for compliance with the earmarking percentage requirements.

Effect

Due to the lack of evidence to support the University's procedures to comply with the requirement of earmarking, we were unable to test the internal control established by the University.

Known Questioned Cost

None.

Recommendation

The University should establish documentation that serves as support of the review and approval process to ascertain that the requirement of earmarking is met.

Management's Response

The University has established a formal documentation to support the review and approval process of each participant in the Trio Cluster programs. In general, all the programs conduct the eligibility process thru structured mechanism that includes personal interviews with the candidates, the completion of a formal application or form that also requires a particular personal documentation, and several communications sent to the selected students, which are properly filed under the program custody.

Talent Search

For Talent Search in particular, the only campus that informed and indeed modified its forms or documentation, as per the external auditors' recommendations was Utuado. They incorporated the Project Director signature as a way to certify that the eligibility verification process was met.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-10 (continued)

Management's Response (continued)

Upward Bound

For Upward Bound, Cayey informed that the process begins with an orientation meeting addressed to the students, where the formal applications are delivered. The last page of this document requests information which is used for program purposes only, in order to determine the eligibility of each candidate. Although the form does not actually include the signature of the Director or his/her authorized representative, Mrs. María Santiago, Acting Dean of Administration of Cayey, has requested that it must be included, as well as the officer's name in print as well as the job position.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-11

Program

CFDA 84.031 – Higher Education Institutional Aid (Title V)

Topic

The University requested funds for items that had not been paid and there was lack of support for an item requested for reimbursement.

Category

Compliance/Control

Compliance Requirement

Cash Management and Allowable Activities/Costs

Condition Found

The University requested funds for items that were not paid. In addition, for the Allowable Activities/Costs requirement we did not receive support for an item included on the Schedule of Federal Awards. There was one Cash Management exception out of a total of 25 items tested. Allowable Activities/Costs requirement that presented a compliance exception was one out of a total of 25 items tested.

Campuses Affected

Carolina Campus

Criteria or Specific Requirement

OMB Circular A-110 (§__.22)

OMB Circular A-110 (§__.23)

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-11 (continued)

Underlying Cause

The Project Accountant did not properly review the expenditure before making the request of funds to ascertain that the expenditures has been incurred.

Effect

Funds are being requested for reimbursement by the University when expenses have not been paid by the University, In addition, the University is incurring in expenses that are not allowable for the project. Those funds received need to be returned to the Federal government.

Known Questioned Cost

\$17,369.55

Recommendation

The University of Puerto Rico Finance Office should establish appropriate controls to prevent the request of funds for items that have not been paid by the University. Funds received for items that have not been incurred should be return to the Federal government.

Management's Response

This questioned cost of \$17,369.55, was due to an over shipment recorded for PO # 483000304. Since the Receipt Accounting option selected for the new Oracle Financial System is to accrue expenses upon receipt, this mistake caused an overstatement in the expenses incurred for the project, and therefore, included in the SEFA Report. However, in terms of accounting, the expenses are overstated by \$16,970.25 instead of \$17,369. Instead of 10 Window Svr Std All Lng Lic/SA Pack MVL at \$39.93, which is the actual quantity stated as per the PO, the Receiving report was recorded by 435 units, which was the quantity stated for item #1.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-11 (continued)

Management's Response (continued)

Despite this error in the accounting transactions, Mr. Juan Torres, Carolina Finance Director, certified that the overstatement of expenses was not ever billed to the Federal agency in the cash withdraw requested for reimbursement. He acknowledges that he did request the funds in advance to the Federal agency, but for the total PO encumbered amount. Although the disbursement was not issued during the three days after the reimbursement was received, it was paid later on January 2009. He also certified that the last reimbursement claimed to the Federal agency regarding Title V was on December 2008, which was the due date for reporting program purposes.

As part of the corrective actions, Mr. Torres gave specific instructions to Accounts Payable as well as the PO Receiving Division. In order to strengthen the invoice verification process, he requested to the Accounts Payable personnel to review the Receiving Report at the recording moment, just before any payment can be issued. As part of the working plan, he is also scheduling monthly meetings with the Receiving Supervisor to analyze the corresponding reports produced by the financial system, so the required corrections or adjustments can be made in a timely basis, and therefore, avoiding any unallowable cost occurrence.

Contact Person: Mr. Juan Torres, Carolina Finance Director

Receiving Division: Mr. Nefalí Ortega, Supervisor

Accounts Payable: Mr. Santiago Rodríguez, Supervisor

Expected Completion Date: Action was taken immediately.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-12

Program

CFDA 84.031 – Higher Education Institutional Aid (Title V)

Topic

Expenses were not incurred during the performance period.

Category

Compliance/Control

Compliance Requirement

Period of Availability

Condition Found

When performing the test over Period of Availability requirement we noted that some expenses incurred were not from the corresponding period of the project. Period of Availability requirement that presented a compliance exception was one out of a total of twenty-five items tested.

Campuses Affected

Carolina Campus

Criteria or Specific Requirement

OMB Circular A-110 (§__.22)

OMB Circular A-110 (§__.23)

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-12 (continued)

Underlying Cause

The Program Director did not properly review that the expense incurred was within the performance period of the project.

Effect

Expenses incurred that are not from the performance period resulted in a breach of contract with the Federal Government. The payment for the expenses occurred during 2009 and the performance period for project is from October 1, 2003-September 30, 2008, this means that amount requested was not from the period of availability of project. Funds may need to be returned to the U.S. Department of Education.

Known Questioned Cost

\$181.75

Recommendation

The University of Puerto Rico Finance Office should not request reimbursement for expenses incurred that are not from the period of project. Controls should be established to prevent the University from incurring on expenses that are not from the performance period.

Management's Response

Mr. Juan Torres, Carolina Finance Director, acknowledges that they did request to the Federal agency the reimbursement of expenses that were not incurred during the Period of Availability stated for the project.

As a corrective action, Mr. Torres was oriented by Central Administration Finance Department regarding the Cash Management and Period of Availability as stated by the Federal governmental agency.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-12 (continued)

Management's Response (continued)

Systemic Efforts at Central Administration Finance Department

In order to control that the project activity be performed during the Availability Period agreed on as per the Federal Grant Agreement, Central Administration Finance Department has required that the Period of Performance be clearly defined in the Segment Values Form of the new Oracle Financial Systems. For the ending date in particular, it has been established that it must be the ending reporting date, which is 90 days after the period of availability. This additional feature will ensure that no transactions can take place in the System beyond the performance stated period and therefore, any payment is made in compliance with Federal requirements.

Carolina Campus

At the program level, a meeting was scheduled by Mr. Juan Torres, Carolina Finance Director, with Title V Director, to reinforce the financial and administrative duties as grant administrator. This includes monitoring the program account history, in terms of budget, actual and encumbered balances, as well as giving the follow-up to any pending transactions or payments before availability period expires.

Also, the financial administration tasks were segregated at the Finance Department. First, an accountant was appointed as the preparer and certifier of the reimbursement computations for billing purposes. And then, Mr. Torres will review and approve the corresponding data before requesting the funds directly to the agency. This will improve the verification that the allowable costs were recorded during the performance project period and, therefore, the program cash management.

Contact Person: Mr. Juan Torres, Carolina Finance Director

Finance Department: Johnny Rosado Chévere, Accountant

Expected Completion Date: Action was effective since August 1, 2010.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-13

Program

All Programs

Topic

Complete compilation of SEFA not provided timely

Category

Internal Control

Compliance Requirement

General regulations of OMB Circular A-133

Criteria or Specific Requirement

Pursuant § ____ .310 (b) of OMB Circular A-133 related to financial statements, the auditee shall also prepare a schedule of federal expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements.

Condition

The Institution did not timely provide a complete compilation of the SEFA for the period covered by the auditee's financial statements. The preliminary SEFA provided to the auditors was not complete, missing a significant amount of expenditures. Subsequently, the final SEFA was compiled approximately 14 months after the period covered by the auditee's financial statements.

Underlying Cause

The Institution does not have procedures in place to ensure a timely complete compilation of the SEFA in accordance with § ____ .310 (b) of OMB Circular A-133.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-13 (continued)

Effect

The lack of appropriate procedures to ensure a complete compilation of the SEFA may cause material omissions of certain grant expenditures and also may cause delays in the audit process thus affecting future grant awards.

Known Questioned Cost

None.

Recommendation

We recommend that the Institution designates a process owner to ensure a complete compilation of the SEFA is timely prepared that will capture all federal awards expended during the period.

Management's Response

As part of the conversion process, the federal direct grants and pass-thru funds were appropriately identified at the fund and project segment of the new Chart of Accounts. However, the issue regarding the compilation process was due to the fact that not all the CFDA program numbers were correctly defined or identified for each federal project, causing the differences between the preliminary and final data reports.

At this moment, Central Administration has completed the project maintenance in the new financial data base, by reviewing and recording the corresponding CFDA number for each federal grant. As result, the final SEFA report was totally produced from the Oracle Financial System. In line with this effort, the internal control procedure have been established that a CFDA number has to be assigned, whenever a federal grant or pass-thru funds is created as a project. This number must also be verified against the CFDA Official Web Page to ensure the correctness and validity of the program number.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-13 (continued)

Management's Response (continued)

In order to strengthen and improve the applicable internal control, the University's Central Administration is in the process of establishing a division to be in charge of compliance matters for all Federal programs.

Contact Person: Mr. Anthony Cordero, Finance Director, UPR Central Administration

Contact Person: Mr. Hernán Vazquezteñell, Financial Aid Director, Vice Presidency of Student Affairs, UPR Central Administration

Expected Completion Date: March 31, 2011

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-14

Program

All Programs

Topic

Single audit reporting package not submitted on time.

Category

Internal Control/Compliance

Compliance Requirement

General regulations of OMB Circular A-133

Criteria or Specific Requirement

OMB Circular A-133, Subpart C, Section .320 requires that the audit shall be completed and that the reporting package shall be submitted within the earlier of 30 days after the receipt of the auditor's report or nine months after the end of the audit period, unless a longer period is agreed to in advance by the recognizant or oversight agency for audit.

Condition

The Data Collection Form (DCF) and the Single Audit reporting package were not submitted within nine months after the end of the audit period as required by OMB Circular A-133.

Underlying Cause

Information needed to complete the single audit was not available for examination within the required period.

University of Puerto Rico
Schedule of Findings and Questioned Costs (continued)

Part III—Schedule of Findings and Questioned Costs (continued)

Finding Number: 09-14 (continued)

Effect

As a result, the grantors and the Pass-through Agencies did not receive the audit results within the required timeframe.

Known Questioned Cost

None.

Recommendation

UPR Officials should improve the procedures to ensure that the financial information is available for examination by the external auditors with sufficient time to complete and issue the reporting package within the required period.

Management's Response

We recognized that the UPR experienced some difficulties after the implementation process of the new information system that could be expected in projects of this kind. In order to improve the procedures by which the financial information is produced for examination and auditing purposes, a complete review and definition of the Financial Statements through the ORACLE System is taking place by external consultants in conjunction with UPR personnel from the Accounting Office of UPR-Central Administration.

We are also defining a formal work plan to perform a timely year-end closing process for the next fiscal year. This will allow us to compile on time the financial information in order to issue the DCF and produced the Single Audit reporting package as required by the federal regulations.

Contact Person: Mrs. Nazeerah Elmadah, Accounting Director, UPR Central Administration

Supervisor: Mr. Anthony Cordero, Finance Director, UPR Central Administration

Expected Completion Date: December 31, 2010

University of Puerto Rico

Summary of Schedule of Prior Audits Findings

June 30, 2009

Finding 08-01

CFDA Number	84.032
Name of Federal Program	Federal Family Education Loan
Major Program	Yes
Topic	Failure to timely notify change in the student's enrollment status
Type of Compliance Requirement	Status Reporting
Amount of Questioned Cost	None
Internal Control Finding	Yes
Contact Person Responsible for Corrective Action Plan	Mr. Abelardo Martínez, Mr. Juan M. Aponte and Mrs. Briseida Meléndez
Status	Comment repeated. See Finding 09-02.

Finding 08-02

CFDA Number	84.032
Name of Federal Program	Federal Family Education Loan
Major Program	Yes
Topic	Failure to notify in the student's enrollment status
Type of Compliance Requirement	Status Reporting
Amount of Questioned Cost	None
Internal Control Finding	No
Contact Person Responsible for Corrective Action Plan	Mr. Abelardo Martínez and Mrs. Widilia Rodríguez
Status	Comment repeated. See Finding 09-02.

University of Puerto Rico

Summary of Schedule of Prior Audits Findings (continued)

Finding 08-03

CFDA Number	84.033
Name of Federal Program	Federal Work Study
Major Program	Yes
Topic	Evidence of job description for FWS positions were not found
Type of Compliance Requirement	Fiscal Procedures and Records
Amount of Questioned Cost	None
Internal Control Finding	No
Contact Person Responsible for Corrective Action Plan	Mrs. Awilda Vélez
Status	Corrected

Finding 08-04

CFDA Number	All Title IV Funds included in the Schedule of Federal Awards
Name of Federal Program	All Title IV Programs included in the Schedule of Federal Awards
Major Program	Yes
Topic	Failure to properly monitor the withdrawals report
Type of Compliance Requirement	Return of Title IV / Special Tests and Provisions
Amount of Questioned Cost	None
Internal Control Finding	Yes
Contact Person Responsible for Corrective Action Plan	Mr. José E. Avilés, Mrs. Elizabeth Cortés, and Mr. Edgar Torres
Status	Corrected

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Summary of Schedule of Prior Audits Findings (continued)

Finding 08-05	
CFDA Number	11.417, 47.074, 10.500, 66.436, 93.121, 93.127, 11.478, 10.200, 10.203, 47.076, 93.375, 93.859, 93.389, 93.865
Name of Federal Program	Sea Grant Support; Biological Sciences; Cooperative Extension Services; Surveys; Studies, Investigation, Demonstrations, and Training Grants and Cooperative Agreements – Section 104 (b)(3) of the Clean Water Act; Oral Diseases and Disorders Research, Emergency Medical Services for Children, Centers for Sponsored Coastal Ocean Research – Coastal Ocean Program; Grants for Agricultural Research, Special Research Grants; Agricultural Experiment Stations under Hatch Act; Education and Human Resources; Minority Biomedical Research Support; Biomedical Research and Research Training; Research Center in Minority Institutions; Child Health and Human Development Extramural Research
Major Program	Yes
Topic	Time and Effort in not properly monitored
Type of Compliance Requirement	Allowable Costs
Amount of Questioned Cost	\$15,317
Internal Control Finding	Yes
Contact Person Responsible for Corrective Action Plan	Mr. Miguel Rivera
Status	Comment repeated. See Finding 09-07.

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Summary of Schedule of Prior Audits Findings (continued)

Finding 08-06	
CFDA Number	All Research and Development Programs
Name of Federal Program	All Research and Development Programs
Major Program	Yes
Topic	Unidentified controls over the Cash Management and Matching compliance requirements
Type of Compliance Requirement	Cash Management / Matching
Amount of Questioned Cost	None
Internal Control Finding	Yes
Contact Person Responsible for Corrective Action Plan	Mr. Miguel Rivera
Status	Corrected

Finding 08-07	
CFDA Number	All Research and Development Programs
Name of Federal Program	All Research and Development Programs
Major Program	Yes
Topic	Failure to provide population of sub awards
Type of Compliance Requirement	Sub-Recipient Monitoring
Amount of Questioned Cost	None
Internal Control Finding	Yes
Contact Person Responsible for Corrective Action Plan	Mr. Miguel Rivera
Status	Corrected

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Summary of Schedule of Prior Audits Findings (continued)

Finding 08-08	
CFDA Number	93.853, 93.859
Name of Federal Program	Specialized Program in Cellular and Molecular Biology, MBRS Score Program at the UPR Medical Sciences Campus
Major Program	Yes
Topic	Failure to provide population of sub awards
Type of Compliance Requirement	Sub-Recipient Monitoring
Amount of Questioned Cost	None
Internal Control Finding	Yes
Contact Person Responsible for Corrective Action Plan	Mr. Miguel Rivera
Status	Corrected

Finding 08-09	
CFDA Number	84.042, 84.044, 84.047, 84.217
Name of Federal Program	Student Support Services, Talent Search, Upward Bound, McNair Post-Baccalaureate Achievement
Major Program	Yes
Topic	Time and Effort is not monitored properly
Type of Compliance Requirement	Allowable Costs
Amount of Questioned Cost	None
Internal Control Finding	Yes
Contact Person Responsible for Corrective Action Plan	Mr. Miguel Rivera
Status	Corrected

University of Puerto Rico

Summary of Schedule of Prior Audits Findings (continued)

Finding 08-10	
CFDA Number	84.042, 84.044, 84.047, 84.217
Name of Federal Program	Student Support Services, Talent Search, Upward Bound, McNair Post-Baccalaureate Achievement
Major Program	Yes
Topic	Unidentified controls over the cash management and matching compliance requirements
Type of Compliance Requirement	Cash Management / Matching
Amount of Questioned Cost	None
Internal Control Finding	Yes
Contact Person Responsible for Corrective Action Plan	Mr. Miguel Rivera
Status	Corrected

Finding 08-11	
CFDA Number	84.044
Name of Federal Program	Talent Search
Major Program	Yes
Topic	Lack of sufficient documentation to support student's eligibility
Type of Compliance Requirement	Eligibility
Amount of Questioned Cost	None
Internal Control Finding	Yes
Contact Person Responsible for Corrective Action Plan	Mr. Miguel Rivera
Status	Corrected

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Summary of Schedule of Prior Audits Findings (continued)

Finding 07-01

CFDA Number	84.032
Name of Federal Program	Federal Family Education Loan
Major Program	Yes
Topic	Failure to timely notify change in the student's enrollment status
Type of Compliance Requirement	FFEL Status Reporting
Amount of Questioned Cost	None
Internal Control Finding	No
Contact Person Responsible for Corrective Action Plan	Ms. María M. Otero, Dr. Delia M. Camacho, Mr. Juan M. Aponte, and Prof. Sonia Balet
Status	Comment repeated. See Finding 09-02.

Finding 07-02

CFDA Number	84.032
Name of Federal Program	Federal Family Education Loan
Major Program	Yes
Topic	Failure to notify change in student's enrollment status
Type of Compliance Requirement	FFEL Status Reporting
Amount of Questioned Cost	None
Internal Control Finding	No
Contact Person Responsible for Corrective Action Plan	Mr. Juan Aponte and Prof. Sonia Balet
Status	Comment repeated. See Finding 09-02.

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Summary of Schedule of Prior Audits Findings (continued)

Finding 07-03

CFDA Number	84.038
Name of Federal Program	Federal Perkins Loan Program
Major Program	Yes
Topic	Specific collection procedures not performed
Type of Compliance Requirement	Collection procedures on Federal Perkins Loan Program
Amount of Questioned Cost	None
Internal Control Finding	No
Contact Person Responsible for Corrective Action Plan	Mrs. Lisette Soto Santiago, Mr. Luis Rivera, Mr. Héctor Rivera and Mrs. Carmen D. Suárez
Status	Comment repeated. See Finding 09-06.

Finding 07-04

CFDA Number	84.038
Name of Federal Program	Federal Perkins Loan Program
Major Program	Yes
Topic	Additional attempts to collect default accounts not performed
Type of Compliance Requirement	Collection and litigation procedures on Federal Perkins Loan Program
Amount of Questioned Cost	None
Internal Control Finding	No
Contact Person Responsible for Corrective Action Plan	Mr. Nelson Santos, Mrs. Inés Sánchez Mercado, Mrs. Livette Reyes, and Mrs. Josefina Arbona
Status	Comment repeated. See Finding 09-05.

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Summary of Schedule of Prior Audits Findings (continued)

Finding 07-05

CFDA Number	All Title IV Funds included in the accompanying Schedule of Federal Awards
Name of Federal Program	All Title IV Funds included in the accompanying Schedule of Federal Awards
Major Program	Yes
Topic	Failure to comply with admissions policies related to transfer of students
Type of Compliance Requirement	Administrative Capability/Eligibility
Amount of Questioned Cost	None
Internal Control Finding	Yes
Contact Person Responsible for Corrective Action Plan	Mr. Miguel Rivera
Status	Corrected

Finding 07-06

CFDA Number	12.431, 47.041
Name of Federal Program	Basic Scientific Research, Engineering Grants
Major Program	Yes
Topic	Incorrect equipment management
Type of Compliance Requirement	Equipment management
Amount of Questioned Cost	None
Internal Control Finding	Yes
Contact Person Responsible for Corrective Action Plan	Mr. Miguel Rivera
Status	Comment repeated. See Finding 09-08.

Finding 07-07

CFDA Number	10.200
Name of Federal Program	Grants for agricultural research
Major Program	Yes
Topic	Financial report was submitted with incorrect information
Type of Compliance Requirement	Reporting
Amount of Questioned Cost	None
Internal Control Finding	No
Contact Person Responsible for Corrective Action Plan	Mr. Miguel Rivera
Status	Corrected

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Summary of Schedule of Prior Audits Findings (continued)

Finding 07-08	
CFDA Number	47.076, 93.121, 93.127, 93.375, 93.389, 93.398, 93.853, 93.855, 93.859, 93.865
Name of Federal Program	Education and human resources, Oral diseases and disorder research, Emergency medical services for children, Minority biomedical research support, National center for research resources, Cancer research manpower, Extramural research programs in the neurosciences and neurological disorders, Allergy, immunology, and transplantation research, Biomedical research and research training, Child health and human development extramural research
Major Program	Yes
Topic	Time and effort is not properly monitored
Type of Compliance Requirement	Level of effort
Amount of Questioned Cost	None
Internal Control Finding	Yes
Contact Person Responsible for Corrective Action Plan	Mr. Miguel Rivera
Status	Comment repeated. See Finding 09-07.

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