



OMB CIRCULAR A-133 REPORT ON  
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

University of Puerto Rico  
Year Ended June 30, 2010

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Federal Financial Assistance Programs  
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**Contents**

Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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.....	1
Schedule of Expenditures of Federal Awards .....	4
Notes to Schedule of Expenditure of Federal Awards.....	11
Schedule of Findings and Questioned Costs .....	14
Summary of Schedule of Prior Audits Findings.....	32

## Report on Compliance with Requirements That Could Have a Material Effect on 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 could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2010. 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 could have a direct and material effect on its major federal programs for the year ended June 30, 2010. 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 10-3 through 10-6.



## **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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 10-02 and 10-03 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 10-04 through 10-06 to be significant deficiencies.



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

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the University as of and for the year ended June 30, 2010, and have issued our report thereon dated April 21, 2011. 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*

August 12, 2011

Stamp No. 2613815  
affixed to  
original of  
this report.

University of Puerto Rico  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2010

CFDA - Program Title	Research and Development Cluster	Student Financial Assistance Cluster	Trio Cluster	CCDF Cluster	Other Federal Expenditures	Grand Total
<b>Federal Pass-Through Funds</b>						
<i>Commonwealth of Puerto Rico</i>						
10.200 - GRANTS FOR AGRICULTURAL RESEARCH, SPECIAL RESEARCH GRANTS	\$ 79,902	\$ -	\$ -	\$ -	\$ -	\$ 79,902
10.206 - GRANTS FOR AGRICULTURAL RESEARCH_COMPETITIVE RESEARCH GRANTS	11,867	-	-	-	-	11,867
10.215 - SUSTAINABLE AGRICULTURE RESEARCH AND EDUCATION	21,586	-	-	-	-	21,586
10.303 - INTEGRATED PROGRAMS	53,193	-	-	-	-	53,193
10.304 - HOMELAND SECURITY_AGRICULTURAL	-	-	-	-	25,398	25,398
10.500 - COOPERATIVE EXTENSION SERVICE	38,102	-	-	-	-	38,102
10.558 - CHILD AND ADULT CARE FOOD PROGRAM	-	-	-	-	21,145	21,145
10.675 - URBAN AND COMMUNITY FORESTRY PROGRAM	-	-	-	-	44,247	44,247
14.231 - EMERGENCY SHELTER GRANTS PROGRAM	-	-	-	-	45,622	45,622
14.514 - HISPANIC-SERVING INSTITUTIONS ASSISTING COMMUNITIES	-	-	-	-	90,392	90,392
15.805 - ASSISTANCE TO STATE WATER RESOURCES RESEARCH INSTITUTES	18,948	-	-	-	-	18,948
16.525 - GRANTS TO REDUCE DOMESTIC VIOLENCE, DATING VIOLENCE, SEXUAL ASSAULT AND STALKING ON	-	-	-	-	12,566	12,566
16.541 - PART E - DEVELOPING, TESTING AND DEMONSTRATING PROMISING NEW PROGRAMS	-	-	-	-	153,009	153,009
16.579 - EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	-	-	-	-	39,593	39,593
20.600 - STATE AND COMMUNITY HIGHWAY SAFETY	-	-	-	-	239,457	239,457
43.001 - AEROSPACE EDUCATION SERVICES PROGRAM	-	-	-	-	358	358
45.129 - PROMOTION OF THE HUMANITIES_FEDERAL/STATE PARTNERSHIP	8,737	-	-	-	-	8,737
47.041 - ENGINEERING GRANTS	168,729	-	-	-	-	168,729
47.049 - MATHEMATICAL AND PHYSICAL SCIENCES	-	-	-	-	1,667	1,667
47.050 - GEOSCIENCES	15,869	-	-	-	-	15,869
47.070 - COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	90,741	-	-	-	-	90,741
47.074 - BIOLOGICAL SCIENCES	6,620	-	-	-	-	6,620
47.076 - EDUCATION AND HUMAN RESOURCES	49,669	-	-	-	-	49,669
66.509 - SCIENCE TO ACHIEVE RESULTS (STAR) RESEARCH PROGRAM	16,373	-	-	-	-	16,373
81.087 - RENEWABLE ENERGY RESEARCH AND DEVELOPMENT	50,877	-	-	-	-	50,877
81.119 - STATE ENERGY PROGRAM SPECIAL PROJECTS	48,091	-	-	-	-	48,091
97.061 - CENTERS FOR HOMELAND SECURITY	-	-	-	-	198,023	198,023
	679,304	-	-	-	871,477	1,550,781
<i>Puerto Rico Department of Education</i>						
84.010 - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	-	-	-	-	120,238	120,238
84.031 - HIGHER EDUCATION_INSTITUTIONAL AID (TITLE V)	-	-	-	-	645,283	645,283
84.243 - TECH-PREP EDUCATION	-	-	-	-	36,292	36,292
84.287 - TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	-	-	-	-	454,930	454,930
84.298 - STATE GRANTS FOR INNOVATIVE PROGRAMS	-	-	-	-	5,984	5,984
84.331 - GRANTS TO STATES FOR INCARCERATED YOUTH OFFENDERS	-	-	-	-	42,491	42,491
84.366 - MATHEMATICS AND SCIENCE PARTNERSHIPS	-	-	-	-	1,381,175	1,381,175
84.367 - IMPROVING TEACHER QUALITY STATE GRANTS	-	-	-	-	2,275,371	2,275,371
84.378 - COLLEGE ACCESS CHALLENGE GRANT PROGRAM	-	-	-	-	21,813	21,813
84.394 - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	-	-	-	-	105,000,002	105,000,002
	-	-	-	-	109,983,579	109,983,579

University of Puerto Rico

Schedule of Expenditures of Federal Awards (continued)

CFDA - Program Title	Research and Development Cluster	Student Financial Assistance Cluster	Trio Cluster	CCDF Cluster	Other Federal Expenditures	Grand Total
<b>Puerto Rico Department of Health</b>						
93.069 - PUBLIC HEALTH EMERGENCY PREPAREDNESS	-	-	2,100	-	-	2,100
93.110 - MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	-	-	-	-	10,772	10,772
93.135 - CENTERS FOR RESEARCH AND DEMOSTRATION FOR HEALTH PROMOTION AND DISEASE	174,185	-	-	-	-	174,185
93.145 - AIDS EDUCATION AND TRAINING CENTERS	-	-	-	-	623,928	623,928
93.217 - FAMILY PLANNING_SERVICES	-	-	-	-	30,027	30,027
93.242 - MENTAL HEALTH RESEARCH GRANTS	29,583	-	-	-	-	29,583
93.262 - OCCUPATIONAL SAFETY AND HEALTH PROGRAM	9,697	-	-	-	-	9,697
93.273 - ALCOHOL RESEARCH PROGRAMS	54,639	-	-	-	-	54,639
93.279 - DRUG ABUSE AND ADDICTION RESEARCH PROGRAMS	38,293	-	-	-	-	38,293
93.283 - CENTERS FOR DISEASE CONTROL AND PREVENTION_INVESTIGATIONS AND TECHNICAL ASSISTANCE	14,118	-	-	-	-	14,118
93.389 - NATIONAL CENTER FOR RESEARCH RESOURCES	125,046	-	-	-	-	125,046
93.393 - CANCER CAUSE AND PREVENTION RESEARCH	-	-	-	-	2,216	2,216
93.397 - CANCER CENTERS SUPPORT GRANTS	30,192	-	-	-	-	30,192
93.398 - CANCER RESEARCH MANPOWER	47,186	-	-	-	-	47,186
93.575 - CHILD CARE AND DEVELOPMENT BLOCK GRANT	-	-	-	1,127,525	-	1,127,525
93.630 - DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY GRANTS	-	-	-	-	10,591	10,591
93.701 - TRANS-NIH RECOVERY ACT RESEARCH SUPPORT	656,208	-	-	-	-	656,208
93.838 - LUNG DISEASES RESEARCH	572,012	-	-	-	-	572,012
93.853 - EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	-	-	-	-	19,640	19,640
93.859 - BIOMEDICAL RESEARCH AND RESEARCH TRAINING	5,860	-	-	-	-	5,860
93.884 - GRANTS FOR TRAINNING IN PRIMARY CARE MEDICINE AND DENTISTRY	-	-	-	-	2,649	2,649
93.910 - FAMILY AND COMMUNITY VIOLENCE PREVENTION PROGRAM	-	-	-	-	234,984	234,984
93.977 - PREVENTIVE HEALTH SERVICES_SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	-	-	-	-	37,314	37,314
93.996 - HHS BIOTERRORISM TRAINING AND CURRICULUM DEVELOPMENT PROGRAM	-	-	-	-	11,202	11,202
	1,778,875	-	2,100	1,127,525	961,467	3,869,967
<b>Direct Funds</b>						
<b>United States Department of Agriculture (USDA)</b>						
10.001 - AGRICULTURAL RESEARCH_BASIC AND APPLIED RESEARCH	58	-	-	-	-	58
10.025 - PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	-	-	-	-	142,232	142,232
10.064 - FORESTRY INCENTIVES PROGRAM	912	-	-	-	-	912
10.200 - GRANTS FOR AGRICULTURAL RESEARCH, SPECIAL RESEARCH GRANTS	343,108	-	-	-	-	343,108
10.202 - COOPERATIVE FORESTRY RESEARCH	70,046	-	-	-	-	70,046
10.203 - PAYMENTS TO AGRICULTURAL EXPERIMENT STATIONS UNDER THE HATCH ACT	3,948,537	-	-	-	-	3,948,537
10.206 - GRANTS FOR AGRICULTURAL RESEARCH_COMPETITIVE RESEARCH GRANTS	9,325	-	-	-	-	9,325
10.223 - HISPANIC SERVING INSTITUTIONS EDUCATION GRANTS	762,344	-	-	-	-	762,344
10.250 - AGRICULTURAL AND RURAL ECONOMIC RESEARCH	212,452	-	-	-	-	212,452
10.303 - INTEGRATED PROGRAMS	6,325	-	-	-	-	6,325
10.310 - AGRICULTURE AND FOOD RESEARCH INITIATIVE (AFRI)	3,420	-	-	-	-	3,420
10.443 - OUTREACH AND ASSISTANCE FOR SOCIALLY DISADVANTAGED FARMERS AND RANCHERS	-	-	-	-	49,704	49,704
10.479 - FOOD SAFETY COOPERATIVE AGREEMENTS	88,517	-	-	-	-	88,517

University of Puerto Rico

Schedule of Expenditures of Federal Awards (continued)

CFDA - Program Title	Research and Development Cluster	Student Financial Assistance Cluster	Trio Cluster	CCDF Cluster	Other Federal Expenditures	Grand Total
10.500 - COOPERATIVE EXTENSION SERVICE	6,771,074	-	-	-	-	6,771,074
10.558 - CHILD AND ADULT CARE FOOD PROGRAM	-	-	-	-	11,243	11,243
10.652 - FORESTRY RESEARCH	72,797	-	-	-	-	72,797
10.664 - COOPERATIVE FORESTRY ASSISTANCE	24,792	-	-	-	-	24,792
10.675 - URBAN AND COMMUNITY FORESTRY PROGRAM	-	-	-	-	15,895	15,895
10.680 - FOREST HEALTH PROTECTION	-	-	-	-	3,437	3,437
10.901 - RESOURCE CONSERVATION AND DEVELOPMENT	-	-	-	-	48,761	48,761
10.902 - SOIL AND WATER CONSERVATION	-	-	-	-	38,707	38,707
10.912 - ENVIRONMENTAL QUALITY INCENTIVES PROGRAM	-	-	-	-	12,365	12,365
	<u>12,313,707</u>	-	-	-	<u>322,344</u>	<u>12,636,051</u>
<b>Department of Commerce (DOC)</b>						
11.303 - ECONOMIC DEVELOPMENT_TECHNICAL ASSISTANCE	-	-	-	-	199,539	199,539
11.417 - SEA GRANT SUPPORT	1,199,260	-	-	-	-	1,199,260
11.420 - COASTAL ZONE MANAGEMENT ESTUARINE RESEARCH RESERVES	16,462	-	-	-	-	16,462
11.426 - FINANCIAL ASSISTANCE FOR NATIONAL CENTERS FOR COASTAL OCEAN SCIENCE	483,168	-	-	-	-	483,168
11.432 - OFFICE OF OCEANIC AND ATMOSPHERIC RESEARCH (OAR) JOINT AND COOPERATIVE INSTITUTES	136	-	-	-	-	136
11.435 - SOUTHEAST AREA MONITORING AND ASSESSMENT PROGRAM	-	-	-	-	87,771	87,771
11.463 - HABITAT CONSERVATION	-	-	-	-	39,815	39,815
11.467 - METEOROLOGIC AND HYDROLOGIC MODERNIZATION DEVELOPMENT	-	-	-	-	362,945	362,945
11.468 - APPLIED METEOROLOGICAL RESEARCH	89,133	-	-	-	-	89,133
11.473 - COASTAL SERVICES CENTER	-	-	-	-	1,143,598	1,143,598
11.478 - CENTER FOR SPONSORED COASTAL OCEAN RESEARCH_COASTAL OCEAN PROGRAM	460,181	-	-	-	-	460,181
11.609 - MEASUREMENT AND ENGINEERING RESEARCH AND STANDARDS	21,630	-	-	-	-	21,630
	<u>2,269,970</u>	-	-	-	<u>1,833,668</u>	<u>4,103,638</u>
<b>Department of Defense (DoD)</b>						
12.300 - BASIC AND APPLIED SCIENTIFIC RESEARCH	156,802	-	-	-	-	156,802
12.420 - MILITARY MEDICAL RESEARCH AND DEVELOPMENT	386,587	-	-	-	-	386,587
12.431 - BASIC SCIENTIFIC RESEARCH	1,110,301	-	-	-	-	1,110,301
12.609 - SELECTED RESERVE EDUCATIONL ASSITANCE PROGRAM	-	-	-	-	325,114	325,114
12.630 - BASIC, APPLIED, AND ADVANCED RESEARCH IN SCIENCE AND ENGINEERING	58,102	-	-	-	-	58,102
12.901 - MATHEMATICAL SCIENCES GRANTS PROGRAM	-	-	-	-	535,651	535,651
12.910 - RESEARCH AND TECHNOLOGY DEVELOPMENT	31,621	-	-	-	-	31,621
	<u>1,743,413</u>	-	-	-	<u>860,765</u>	<u>2,604,178</u>
<b>Department of Housing and Urban Development (HUD)</b>						
14.257 - ARRA-HUD HOMELESSNESS PREVENTION AND RAPID RE-HOUSING PROGRAM	-	-	-	-	25,700	25,700
14.511 - COMMUNITY OUTREACH PARTNERSHIP CENTER PROGRAM	-	-	-	-	125	125
14.514 - HISPANIC-SERVING INSTITUTIONS ASSISTING COMMUNITIES	-	-	-	-	133,122	133,122
	-	-	-	-	<u>158,947</u>	<u>158,947</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	CCDF Cluster	Other Federal Expenditures	Grand Total
<i>Department of the Interior (DOI)</i>						
15.615 - COOPERATIVE ENDANGERED SPECIES CONSERVATION FUND	-	-	-	-	59,612	59,612
15.805 - ASSISTANCE TO STATE WATER RESOURCES RESEARCH INSTITUTES	84,563	-	-	-	-	84,563
15.807 - EARTHQUAKE HAZARDS REDUCTION PROGRAM	1,211	-	-	-	-	1,211
	85,774	-	-	-	59,612	145,386
<i>Department of Justice (DOJ)</i>						
16.525 - GRANTS TO COMBAT DOMESTIC VIOLENCE, DATING VIOLENCE, SEXUAL ASSAULT, AND STALKING	-	-	-	-	147,071	147,071
	-	-	-	-	147,071	147,071
<i>Department of Labor (DOL)</i>						
17.502 - OCCUPATIONAL SAFETY AND HEALTH_SUSAN HARWOOD TRAINING GRANTS	-	-	-	-	150,500	150,500
	-	-	-	-	150,500	150,500
<i>Department of Transportation (DOT)</i>						
20.215 - HIGHWAY TRAINING AND EDUCATION	-	-	-	-	51,155	51,155
	-	-	-	-	51,155	51,155
<i>National Aeronautics and Space Ad (NASA)</i>						
43.001 - AEROSPACE EDUCATION SERVICES PROGRAM	-	-	-	-	2,063,545	2,063,545
43.002 - TECHNOLOGY TRANSFER	-	-	-	-	80,735	80,735
	-	-	-	-	2,144,280	2,144,280
<i>National Endowment for the Humanities (NEH)</i>						
45.129 - PROMOTION OF THE HUMANITIES_FEDERAL/STATE PARTNERSHIP	(5)	-	-	-	-	(5)
45.301 - MUSEUMS FOR AMERICA	-	-	-	-	48,714	48,714
	(5)	-	-	-	48,714	48,709
<i>National Science Foundation (NSF)</i>						
47.041 - ENGINEERING GRANTS	1,144,913	-	-	-	-	1,144,913
- ARRA-ENGINEERING GRANTS	27,095	-	-	-	-	27,095
47.049 - MATHEMATICAL AND PHYSICAL SCIENCES	-	-	-	-	1,285,302	1,285,302
47.050 - GEOSCIENCES	287,541	-	-	-	-	287,541
47.070 - COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	282,523	-	-	-	-	282,523
47.074 - BIOLOGICAL SCIENCES	3,026,226	-	-	-	-	3,026,226
47.075 - SOCIAL, BEHAVIORAL, AND ECONOMIC SCIENCES	-	-	-	-	20,334	20,334
47.076 - EDUCATION AND HUMAN RESOURCES	7,542,470	-	-	-	-	7,542,470
47.079 - INTERNATIONAL SCIENCE AND ENGINEERING (OISE)	19,133	-	-	-	-	19,133
47.082 - TRANS-NSF RECOVERY ACT RESEARCH SUPPORT	829,482	-	-	-	-	829,482
	13,159,383	-	-	-	1,305,636	14,465,019

University of Puerto Rico

Schedule of Expenditures of Federal Awards (continued)

CFDA - Program Title	Research and Development Cluster	Student Financial Assistance Cluster	Trio Cluster	CCDF Cluster	Other Federal Expenditures	Grand Total
<b><i>Veterans Affairs (VA)</i></b>						
64.117 - SURVIVORS AND DEPENDENTS EDUCATIONAL ASSISTANCE	-	-	-	-	360	360
64.124 - ALL-VOLUNTEER FORCE EDUCATIONAL ASSISTANCE	-	-	-	-	575	575
64.125 - VOCATIONAL AND EDUCATIONAL COUNSELING FOR SERVICEMEMBERS AND VETERANS	-	-	-	-	1,805	1,805
	-	-	-	-	2,740	2,740
<b><i>Environmental Protection Agency (EPA)</i></b>						
66.034 - SURVEYS, STUDIES, INVESTIGATIONS, DEMONSTRATIONS AND SPECIAL PURPOSE ACTIVITIES	42,191	-	-	-	-	42,191
66.513 - GREATER RESEARCH OPPORTUNITIES (GRO) FELLOWSHIPS FOR UNDERGRADUATE/GRADUATE	-	-	-	-	2,006	2,006
66.714 - PESTICIDE ENVIRONMENTAL STEWARDSHIP REGIONAL GRANTS	(86)	-	-	-	-	(86)
	42,105	-	-	-	2,006	44,111
<b><i>Nuclear Regulatory Commission (NRC)</i></b>						
77.006 - U. S. NUCLEAR REGULATORY COMMISSION NUCLEAR EDUCATION GRANT PROGRAM	36,133	-	-	-	-	36,133
	36,133	-	-	-	-	36,133
<b><i>Department of Energy (DOE)</i></b>						
81.041 - STATE ENERGY PROGRAM	-	-	-	-	153,939	153,939
81.049 - OFFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM	-	-	-	-	347,670	347,670
81.089 - FOSSIL ENERGY RESEARCH AND DEVELOPMENT	110,143	-	-	-	-	110,143
	110,143	-	-	-	501,609	611,752
<b><i>Department of Education (ED)</i></b>						
84.007 - FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS	-	1,778,427	-	-	-	1,778,427
84.031 - HIGHER EDUCATION_INSTITUTIONAL AID (TITLE V)	-	-	-	-	2,206,251	2,206,251
84.033 - FEDERAL WORK-STUDY PROGRAM	-	3,455,649	-	-	-	3,455,649
84.042 - TRIO_STUDENT SUPPORT SERVICES	-	-	2,337,636	-	-	2,337,636
84.044 - TRIO_TALENT SEARCH	-	-	749,180	-	-	749,180
84.047 - TRIO_UPWARD BOUND	-	-	1,149,323	-	-	1,149,323
84.063 - FEDERAL PELL GRANT PROGRAM	-	179,164,782	-	-	-	179,164,782
84.103 - TRIO STAFF TRAINING PROGRAM	-	-	280,735	-	-	280,735
84.120 - MINORITY SCIENCE AND ENGINEERING IMPROVEMENT	-	-	-	-	445,172	445,172
84.129 - REHABILITATION LONG-TERM TRAINING	-	-	-	-	236,615	236,615
84.186 - SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES_STATE GRANTS	-	-	-	-	726	726
84.217 - TRIO_MCNAIR POST-BACCALAUREATE ACHIEVEMENT	-	-	147,275	-	-	147,275
84.224 - ASSISTIVE TECHNOLOGY	-	-	-	-	417,026	417,026
84.298 - STATE GRANTS FOR INNOVATIVE PROGRAMS	-	-	-	-	10,315	10,315
84.367 - IMPROVING TEACHER QUALITY STATE GRANTS	-	-	-	-	(23)	(23)
84.375 - ACADEMIC COMPETITIVENESS GRANTS	-	7,497,694	-	-	-	7,497,694
84.376 - NATIONAL SCIENCE AND MATHEMATICS ACCESS TO RETAIN TALENT (SMART) GRANTS	-	8,542,978	-	-	-	8,542,978
84.378 - COLLEGE ACCESS CHALLENGE GRANT PROGRAM	-	-	-	-	1,265,087	1,265,087
	-	200,439,530	4,664,149	-	4,581,169	209,684,848

University of Puerto Rico

Schedule of Expenditures of Federal Awards (continued)

CFDA - Program Title	Research and Development Cluster	Student Financial Assistance Cluster	Trio Cluster	CCDF Cluster	Other Federal Expenditures	Grand Total
<i>Department of Health and Human Services (HHS)</i>						
93.015 - HIV PREVENTION PROGRAMS FOR WOMEN	-	-	-	-	70,197	70,197
93.110 - MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	-	-	-	-	34,461	34,461
93.121 - ORAL DISEASES AND DISORDERS RESEARCH	339,346	-	-	-	-	339,346
93.127 - EMERGENCY MEDICAL SERVICES FOR CHILDREN	-	-	-	-	170,071	170,071
93.145 - AIDS EDUCATION AND TRAINING CENTERS	-	-	-	-	231	231
93.157 - CENTERS OF EXCELLENCE	-	-	-	-	4,463	4,463
93.215 - HANSEN'S DISEASE NATIONAL AMBULATORY CARE PROGRAM	-	-	-	-	64,952	64,952
93.217 - FAMILY PLANNING SERVICES	-	-	-	-	2,791,419	2,791,419
93.226 - RESEARCH ON HEALTHCARE COSTS, QUALITY AND OUTCOMES	77,584	-	-	-	-	77,584
93.236 - GRANTS FOR DENTAL PUBLIC HEALTH RESIDENCY TRAINING	-	-	-	-	201,460	201,460
93.242 - MENTAL HEALTH RESEARCH GRANTS	2,345,959	-	-	-	-	2,345,959
93.243 - SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL	32,792	-	-	-	-	32,792
93.247 - ADVANCED EDUCATION NURSING GRANT PROGRAM	-	-	-	-	467,950	467,950
93.262 - OCCUPATIONAL SAFETY AND HEALTH PROGRAM	99,302	-	-	-	-	99,302
93.273 - ALCOHOL RESEARCH PROGRAMS	530,076	-	-	-	-	530,076
93.279 - DRUG ABUSE AND ADDICTION RESEARCH PROGRAMS	780,637	-	-	-	-	780,637
93.281 - MENTAL HEALTH RESEARCH CAREER/SCIENTIST DEVELOPMENT AWARDS	131,853	-	-	-	-	131,853
93.282 - MENTAL HEALTH NATIONAL RESEARCH SERVICE AWARDS FOR RESEARCH TRAINING	22,082	-	-	-	-	22,082
93.283 - CENTERS FOR DISEASE CONTROL AND PREVENTION_INVESTIGATIONS AND TECHNICAL ASSISTANCE	613,850	-	-	-	-	613,850
93.307 - MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH	1,863,348	-	-	-	-	1,863,348
93.358 - ADVANCED EDUCATION NURSING TRAINEESHIPS	-	-	-	-	26,850	26,850
93.361 - NURSING RESEARCH	127,422	-	-	-	-	127,422
93.375 - MINORITY BIOMEDICAL RESEARCH SUPPORT	109,095	-	-	-	-	109,095
93.389 - NATIONAL CENTER FOR RESEARCH RESOURCES	12,260,159	-	-	-	-	12,260,159
93.393 - CANCER AND PREVENTION RESEARCH	365	-	-	-	-	365
93.397 - CANCER CENTERS SUPPORT GRANTS	1,498,750	-	-	-	-	1,498,750
93.398 - CANCER RESEARCH MANPOWER	146,005	-	-	-	-	146,005
93.399 - CANCER CONTROL	7,829	-	-	-	-	7,829
93.405 - ARRA - PUBLIC HEALTH TRAINEESHIP PROGRAM	-	23,195	-	-	-	23,195
93.407 - ARRA - SCHOLARSHIPS FOR DISADVANTAGED STUDENTS	-	486,952	-	-	-	486,952
93.591 - FAMILY VIOLENCE PREVENTION AND SERVICES/GRANTS FOR BATTERED WOMEN'S	-	-	-	-	10,119	10,119
93.632 - UNIVERSITY CENTERS FOR EXCELLENCE IN DEVELOPMENTAL DISABILITIES EDUCATION, RESEARCH,	536,002	-	-	-	-	536,002
93.701 - ARRA - TRANS-NIH RECOVERY ACT RESEARCH SUPPORT	2,743,941	-	-	-	-	2,743,941
93.701 - TRANS-NIH RECOVERY ACT RESEARCH SUPPORT	1,714	-	-	-	-	1,714
93.713 - ARRA U CHILD CARE AND DEVELOPMENT BLOCK GRANT	-	-	-	7,038	-	7,038
93.821 - CELL BIOLOGY AND BIOPHYSICS RESEARCH	11,484	-	-	-	-	11,484
93.837 - HEART AND VASCULAR DISEASES RESEARCH	181,285	-	-	-	-	181,285

University of Puerto Rico

Schedule of Expenditures of Federal Awards (continued)

CFDA - Program Title	Research and Development Cluster	Student Financial Assistance Cluster	Trio Cluster	CCDF Cluster	Other Federal Expenditures	Grand Total
93.838 - LUNG DISEASES RESEARCH	10,130	-	-	-	-	10,130
93.853 - EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	2,574,105	-	-	-	-	2,574,105
93.855 - ALLERGY, IMMUNOLOGY AND TRANSPLANTATION RESEARCH	2,713,741	-	-	-	-	2,713,741
93.859 - BIOMEDICAL RESEARCH AND RESEARCH TRAINING	9,215,025	-	-	-	-	9,215,025
93.865 - CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH	936,415	-	-	-	-	936,415
93.866 - AGING RESEARCH	123,207	-	-	-	-	123,207
93.880 - PHS MINORITY ACCESS TO RESEARCH CAREERS	140,787	-	-	-	-	140,787
93.884 - GRANTS FOR TRAINING IN PRIMARY CARE MEDICINE AND DENTISTRY	-	-	-	-	642,740	642,740
93.925 - SCHOLARSHIPS FOR HEALTH PROFESSIONS STUDENTS FROM DISADVANTAGED BACKGROUNDS	-	982,799	-	-	-	982,799
93.964 - PUBLIC HEALTH TRAINEESHIPS	-	-	-	-	347,992	347,992
	40,174,290	1,492,946	-	7,038	4,832,905	46,507,179
<b>Department of Homeland Security (DHS)</b>						
97.062 - SCHOLARS AND FELLOWS, AND EDUCATIONAL PROGRAMS	-	-	-	-	66,322	66,322
	-	-	-	-	66,322	66,322
<b>Total Expenditures of Federal Awards</b>	<b>\$ 72,393,092</b>	<b>\$ 201,932,476</b>	<b>\$ 4,666,249</b>	<b>\$ 1,134,563</b>	<b>\$ 128,885,966</b>	<b>\$ 409,012,346</b>

See accompanying notes.

# University of Puerto Rico

## Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

### **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). 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 (Schedule or SEFA) 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 of accounting 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 of the University.

### **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, 2010, and funds advanced by the University to eligible students during the year ended June 30, 2010, under the federal student loan programs are summarized as follows:

	<b>Federal Perkins Loan Program</b>	<b>HPSL Program</b>	<b>NSL Program</b>	<b>Total</b>
Student loans receivable, June 30, 2009	\$1,405,051	\$245,960	\$156,832	\$1,807,843
Less:				
Collections	(82,932)	-	(46)	(82,978)
Cancellations	(16,845)	-	-	(16,845)
Student loans receivable, June 30, 2010	<b>\$1,305,274</b>	<b>\$245,960</b>	<b>\$156,786</b>	<b>\$1,708,020</b>

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 2009-2010. Therefore, it is not practical to determine the balance of loans outstanding to students and former students of the University at June 30, 2010.

Federally guaranteed loans issued to students of the University during the year ended June 30, 2010, are summarized as follows:

	<u>CFDA No.</u>	<u>2010</u>
Federal Family Education Loan	84.032	<u>\$49,697,773</u>

University of Puerto Rico

Schedule of Findings and Questioned Costs

June 30, 2010

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>	<b>Yes</b>	<u>      </u>	<b>No</b>
Significant deficiency(ies) identified?	<u>      </u>	<b>Yes</b>	<u>  X  </u>	<b>None reported</b>
Noncompliance material to financial statements noted?	<u>      </u>	<b>Yes</b>	<u>  X  </u>	<b>No</b>

**Federal Awards Section**

Internal control over major programs:

Material weakness(es) identified?	<u>  X  </u>	<b>Yes</b>	<u>      </u>	<b>No</b>
Significant deficiency(ies) identified?	<u>  X  </u>	<b>Yes</b>	<u>      </u>	<b>None reported</b>

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>	<b>Yes</b>	<u>      </u>	<b>No</b>
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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
84.394-A	State Fiscal Stabilization Fund

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

\$3,000,000

Auditee qualified as low-risk auditee?

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

## Schedule of Findings and Questioned Costs (continued)

### Part II—Financial Statement Findings Section

#### **Finding Number: 10-01 – 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—Financial Statement Findings Section (continued)

#### **Finding Number: 10-01 – 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**

The 2010 fiscal year close was affected by a student stoppage which began in April 2010 and interrupted the operations at ten of the eleven units and Central Administration for up to 62 days.

Conversion from the legacy system during fiscal years 2009 and 2010 has been a difficult and on-going process requiring reengineering of most accounting procedures at all levels. This and a shortage of personnel in key accounting positions mainly due to the retirement of experienced career accountants, and the difficulty in recruiting qualified replacements have resulted in our Financial Statements being finalized on April 21, 2011.

University of Puerto Rico

Schedule of Findings and Questioned Costs (continued)

Part II—Financial Statement Findings Section (continued)

**Finding Number: 10-01 – Financial Statement Close Process (continued)**

**Management's Response (continued)**

In answer to these two concerns, funds have been assigned in the amount of \$6.3 million for three years (beginning fiscal year 2011-2012) to:

- Finalize implementation of the accounting system, human resources system, and student information system.
- This project will find ways to improve, facilitate, and possibly automate the accounting system wherever possible. This would allow accountants at Central Administration to focus more on the year-end close process and assist their counterparts at the campus level.
- Provide the necessary training.

Additional funds have been assigned to cover recruitment of new personnel and to provide the necessary training.

Contact Person: Nazeerah Elmadah – Director of Central Accounting

Supervisor: Director of Finance, Central Administration

Expected Completion Date: Fiscal year 2013-2014.

University of Puerto Rico

Schedule of Findings and Questioned Costs (continued)

Part III—Federal Award Findings and Questioned Costs Section

**Finding Number:** 10-02

**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 and was missing a significant amount of expenditures. Subsequently, the final SEFA was compiled approximately 13 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—Federal Award Findings and Questioned Costs Section (continued)

**Finding Number:** 10-02 (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 designate 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**

The student stoppage, conversion from the old to new accounting system and shortages in accounting personnel delayed completion of our 2010 financial statements until April 21, 2011. The A-133 Single Audit process could not begin until these were completed. Nonetheless, on April 26 our external auditors were provided with a preliminary SEFA report - along with a detailed transactions file.

During the single-audit process, auditors requested additional descriptive information not included previously with the reporting package. Also required, was a reworking of the preliminary SEFA report to identify ARRA funds and list them separately from other federal funds. Other minor adjustments were identified, discussed with the auditors and considered in the final SEFA report. Overall, these represent no significant changes in the total amounts submitted in the preliminary SEFA report.

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

Part III—Federal Award Findings and Questioned Costs Section (continued)

**Finding Number: 10-02 (continued)**

**Management's Response (continued)**

The single audit process for fiscal year 2010 will serve as a training ground for the 2011 SEFA process under the new accounting system. As of July 2011, the University has designated Ms. Gloria Soto (Finance Officer I) as the person who will henceforth own the SEFA process. Based at Central Finance Office, she will also provide campuses with support on compliance with federal regulations. An external consultant was also contracted to assist and train Ms. Soto in this process.

Besides the \$6.3 million assigned to cover the needs to finalize the implementation of the accounting system, human resources system, and student system (among others needs), we begin this new fiscal year with an evaluation for the implementation of a Grants Management Module. This will simplify the preparation of the SEFA.

Contact Person: Gloria I. Soto, Finance Officer I

Supervisor: Finance Director, Central Administration

Expected Completion Date: Fiscal year 2012-2013

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

Part III—Federal Award Findings and Questioned Costs Section (continued)

**Finding Number:** 10-03

**Program**

All Programs

**Topic**

Single audit reporting package not submitted on time.

**Category**

Internal Control/Compliance

**Compliance Requirement**

Reporting

**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 cognizant 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—Federal Award Findings and Questioned Costs Section (continued)

**Finding Number: 10-03 (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 OMB Circular A-133 reporting package, including a complete schedule of expenditures of federal awards, 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**

The financial statements - for fiscal year ended June 30, 2010, were not finalized until April 21, 2011 mainly due to student stoppage, from April 2010 through June 2010, which in effect set back the fiscal year close process. Despite this setback, the University will submit the single audit report package for the fiscal year 2009-2010 about one and a half months earlier compared to fiscal year 2008-2009.

The University is on track to produce future financial statements in a more timely manner and completion of the single-audit process is expected to be completed well within the allowed timeframe for the fiscal year 2012-2013. As indicated above, funds have been assigned in the amount of \$6.3 million for three fiscal years (beginning 2011-2012 through 2003-2014) to:

- Finalize implementation of the accounting system and find ways to improve, facilitate, and possibly automate the accounting system wherever possible. This would allow accountants at Central Administration to focus more on the year-end close process and assist their counterparts at the campus level.
- Provide the necessary training for them as well as regular staff.



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

Part III—Federal Award Findings and Questioned Costs Section (continued)

**Finding Number: 10-03 (continued)**

**Management's Response (continued)**

Additional funds have been assigned to cover recruitment of new personnel and provide the necessary trainings.

Contact Person: Gloria I. Soto, Finance Officer I

Supervisor: Finance Director, Central Administration

Expected Completion Date: Fiscal year 2013-2014

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

Part III—Federal Award Findings and Questioned Costs Section (continued)

**Finding Number: 10-04**

**Program**

All Research and Development Programs

**Topic**

Time and Effort Monitoring

**Category**

Internal Control/Compliance

**Compliance Requirement**

Allowable Costs/Cost Principles

**Criteria or Specific Requirement**

OMB Circular A-110 (§\_\_.27 and §\_\_.53)

**Condition**

When performing tests over the compliance we noted two (2) instances on which the University was not able to provide us with evidence of the time and effort report for the selected employee.

CAMPUS	CAMPUS NAME	EMPLOYEE NAME	Comments
40	RECINTO CIENCIAS MEDICAS	Bravo Rivera, Héctor	A
40	RECINTO CIENCIAS MEDICAS	Vélez Rivera, Sullymar	A

**Comments:**

A- Employee selected for compliance testing

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

Part III—Federal Award Findings and Questioned Costs Section (continued)

**Finding Number:** 10-04 (continued)

**Campuses Affected**

Medical Sciences Campus

**Criteria or Specific Requirement**

OMB Circular A-21, J.10

**Underlying Cause**

The program managers did not ensure that a Time and Effort report was prepared and completed. 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**

\$885

**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.

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

Part III—Federal Award Findings and Questioned Costs Section (continued)

**Finding Number: 10-04 (continued)**

**Management's Response**

The University prepared a draft of the *Effort Reporting Policies and Procedures* which the Board of Trustees should sign into effect by the end of this semester. This document requires that Time and Effort reports be prepared uniformly at all campuses in close relation to payroll costs and that any adjustments to that report be accompanied with a corresponding adjustment in the accounting and payroll records system. Once these policies are in effect, the units will be trained and guided in their implementation.

Contact Person: José Lasalde, Vicepresidente de Investigación y Tecnología

Expected Completion Date: 2011-2012

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

Part III—Federal Award Findings and Questioned Costs Section (continued)

**Finding Number: 10-05**

**Program**

All Research and Development Programs

**Topic**

Equipment acquired with federal funds is not properly accounted for nor does the University perform a physical count of such equipment within the time frame required by the federal Government.

**Category**

Internal Control/Compliance

**Compliance Requirement**

Equipment and Real Property Management

**Criteria or Specific Requirement**

OMB Circular A-110 (§\_\_.33 and §\_\_.34)

**Underlying Cause**

The University could not provide a complete list of equipment that properly segregated the equipment acquired with federal funds and those that were not. This list should include the fields listed and required by the related regulations. In addition, the University was unable to provide us with evidence that a physical inventory count was performed two years prior to the fiscal year under audit or during the year under audit in order to ensure that the list is accurate and up to date. The University should perform a physical inventory observation in order to properly account for equipment purchased with federal funds and ensure they are used for their intended purpose.

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

Part III—Federal Award Findings and Questioned Costs Section (continued)

**Finding Number: 10-05 (continued)**

**Effect**

Due to the lack of an accurate, properly divided equipment list, the University will not be able to:

- a. Identify federally funded equipment.
- b. Verify the existence of the equipment, in case the equipment is lost or stolen.

**Known Questioned Cost**

Could not be determined.

**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 in a detailed list.

**Management's Response**

A meeting with all property managers will be conducted to emphasize and review the importance and federal requirements regarding equipment inventories every two years.

For the Medial Sciences Campus, physical inventories will be conducted and updated in the property records systems. We found that one of the difficulties of identifying equipment purchased with federal funds is that the Purchase Order sent to the property office omits the account number which identifies funding source. As a corrective action, the purchase order will be modified to include this funding source for each equipment purchase. This way the property office will immediately identify federal equipment and be able to mark them accordingly.

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

Part III—Federal Award Findings and Questioned Costs Section (continued)

**Finding Number: 10-05 (continued)**

**Management's Response (continued)**

The University issued a draft of the *Handbook of Policies and Procedures for Sponsored Programs*. This handbook emphasizes the importance of maintaining accurate inventory records.

Contact Person: Gloria I. Soto, Finance Officer I

Supervisor: Finance Director, Central Administration

Expected Completion Date: December 2011

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

Part III—Federal Award Findings and Questioned Costs Section (continued)

**Finding Number: 10-06**

**Program**

Research & Development (R&D) Cluster

**Topic**

Matching, Level of Effort, Earmarking

**Category**

Internal Control/Compliance

**Compliance Requirement**

Matching, Level of Effort, Earmarking

**Criteria or Specific Requirement**

OMB Circular A-110 (§\_\_.24 and §\_\_.23)

**Underlying Cause**

The University was unable to provide a complete list of projects requiring matching. A population of projects was identified by the central administration of the University as having a matching requirement, but during our campus visits we validated that such projects did not required matching; instead these projects were receiving an internal matching from the University. Internal controls are ineffective since projects requiring matching costs are not identified as to maintain a control over timely and accurate matching contributions for applicable projects.

**Effect**

The lack of appropriate controls to identify and maintain a list of projects required to have matching costs may result in inaccurate matching costs and non-compliance with the matching requirement as per OMB A-133 for applicable projects.



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

Part III—Federal Award Findings and Questioned Costs Section (continued)

**Finding Number: 10-06 (continued)**

**Known Questioned Cost**

Could not be determined.

**Recommendation**

The University's management should ensure that effective internal controls are put in place to ensure that matching requirements are accurate and supported as required. We encourage the institution to designate a person with the required knowledge to oversee projects requiring matching costs in order to ensure adequate compliance.

**Management's Response**

The University issued a draft of the *Cost Sharing/Matching Funds Policies and Procedures at the University of Puerto Rico*. This policies addresses aspects related to identification, funding, accounting, monitoring and reporting in conformity to institutional and sponsors guidelines and should be approved during the first semester 2011-2012. We expect policies will be in effect by 2012-2013.

Contact Person: José Lasalde, Vicepresidente de Investigación y Tecnología

Expected Completion Date: Fiscal year 2012-2013

University of Puerto Rico

Summary Schedule of Prior Audits Findings

June 30, 2010

Finding 09-02

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<b>CFDA Number</b>	84.032
<b>Name of Federal Program</b>	Federal Family Education Loan – SFA Cluster
<b>Type of Compliance Requirement</b>	Special Tests and Provisions: Student Status Changes
<b>Amount of Questioned Cost</b>	None
<b>Contact Person Responsible for Corrective Action Plan</b>	Mr. Juan Aponte- Río Piedras Campus and Mr. Francisco Bengochea, Register-Ponce Campus
<b>Status</b>	Corrected

Finding 09-03

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<b>CFDA Number</b>	84.063
<b>Name of Federal Program</b>	Federal Pell Grant Program – SFA Cluster
<b>Type of Compliance Requirement</b>	Special Tests and Provisions: Disbursements To or On Behalf of Students
<b>Amount of Questioned Cost</b>	\$820
<b>Contact Person Responsible for Corrective Action Plan</b>	Mrs. Damarys Arocho, Fiscal Officer-Aguadilla Campus and Mrs. Luz Esther Sánchez- Fiscal Office Director- Río Piedras Campus
<b>Status</b>	Corrected

Finding 09-04

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<b>CFDA Number</b>	84.063
<b>Name of Federal Program</b>	Federal Pell Grant Program – SFA Cluster
<b>Type of Compliance Requirement</b>	Special Tests and Provisions: Return of Title IV Funds
<b>Amount of Questioned Cost</b>	None
<b>Contact Person Responsible for Corrective Action Plan</b>	Mrs. Luz Esther Sánchez- Fiscal Office Director- Río Piedras Campus
<b>Status</b>	Corrected

University of Puerto Rico

Summary Schedule of Prior Audits Findings (continued)

Finding 09-05	
<b>CFDA Number</b>	84.038
<b>Name of Federal Program</b>	Federal Perkins Loan Program – SFA Cluster
<b>Type of Compliance Requirement</b>	Special Tests and Provisions: Student Loan Repayments
<b>Amount of Questioned Cost</b>	None
<b>Contact Person Responsible for Corrective Action Plan</b>	Mr. Pedro Martínez, Finance Director- Ponce Campus.
<b>Status</b>	<p>New office person is been hired and will be trained to give support to the Claims and Collections Office duties. Also a third party servicer is been contracted to strengthen the campus due diligence procedures as required. Follow-up will be given by means of meetings with the appropriate personnel and files evaluation.</p> <p>Responsible official: Dr. Luis Tapia Maldonado, Utuado Campus</p> <p>Corrected – Ponce Partially corrected – Utuado</p>
Finding 09-06	
<b>CFDA Number</b>	84.038
<b>Name of Federal Program</b>	Federal Perkins Loan Program – SFA Cluster
<b>Type of Compliance Requirement</b>	Special Tests and Provisions: Student Loan Repayments
<b>Amount of Questioned Cost</b>	None
<b>Contact Person Responsible for Corrective Action Plan</b>	Mrs. Lissete Soto, Claim and Collection Officer- Aguadilla Campus
<b>Status</b>	Corrected

University of Puerto Rico

Summary Schedule of Prior Audits Findings (continued)

Finding 09-07	
<b>CFDA Number</b>	93.307, 93.859
<b>Name of Federal Program</b>	HHS Minority Health and Health Disparities Research; HHS Biomedical Research and Research Training – R&D Cluster
<b>Type of Compliance Requirement</b>	Allowable Costs
<b>Amount of Questioned Cost</b>	None
<b>Contact Person Responsible for Corrective Action Plan</b>	Mrs. María M. Santiago, Acting Dean of Administration of Cayey
<b>Status</b>	Corrected
Finding 09-08	
<b>CFDA Number</b>	All CFDA under the following clusters: 84.031
<b>Name of Federal Program</b>	R&D Cluster, TRIO Cluster, Higher Education Institutional Aid (Title IV)
<b>Type of Compliance Requirement</b>	Equipment and Real Property Management
<b>Amount of Questioned Cost</b>	None
<b>Contact Person Responsible for Corrective Action Plan</b>	Mrs. Maribel Hernández, Acting Finance Director
<b>Status</b>	Corrected
Finding 09-09	
<b>CFDA Number</b>	93.389
<b>Name of Federal Program</b>	National Center for Research Services – R&D Cluster
<b>Type of Compliance Requirement</b>	Allowable Costs/Cost Principles; Cash Management
<b>Amount of Questioned Cost</b>	\$6,200
<b>Contact Person Responsible for Corrective Action Plan</b>	Mrs. Antonia Reyes, Accounting Supervisor
<b>Status</b>	Corrected

University of Puerto Rico

Summary Schedule of Prior Audits Findings (continued)

Finding 09-10	
<b>CFDA Number</b>	84.042; 84.044; 84.047
<b>Name of Federal Program</b>	Student Support Services; Talent Search; Upward Bound – TRIO Cluster
<b>Type of Compliance Requirement</b>	Earmarking
<b>Amount of Questioned Cost</b>	None
<b>Contact Person Responsible for Corrective Action Plan</b>	Mrs. María Santiago, Acting Dean of Administration of Cayey
<b>Status</b>	Corrected

Finding 09-11	
<b>CFDA Number</b>	84.031
<b>Name of Federal Program</b>	Higher Education Institutional Aid (Title V)
<b>Type of Compliance Requirement</b>	Allowable or Unallowable Activities; Allowable Costs/Cost Principles; Cash Management
<b>Amount of Questioned Cost</b>	\$17,370
<b>Contact Person Responsible for Corrective Action Plan</b>	Mr. Juan Torres, Carolina Finance Director
<b>Status</b>	Corrected

Finding 09-12	
<b>CFDA Number</b>	84.031
<b>Name of Federal Program</b>	Higher Education Institutional Aid (Title V)
<b>Type of Compliance Requirement</b>	Period of Availability of Federal Funds
<b>Amount of Questioned Cost</b>	\$182
<b>Contact Person Responsible for Corrective Action Plan</b>	Mr. Juan Torres, Carolina Finance Director
<b>Status</b>	Corrected

University of Puerto Rico

Summary Schedule of Prior Audits Findings (continued)

Finding 09-13

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<b>CFDA Number</b>	All Programs
<b>Name of Federal Program</b>	All Programs
<b>Type of Compliance Requirement</b>	General Regulations of OMB Circular A-133
<b>Amount of Questioned Cost</b>	None
<b>Contact Person Responsible for Corrective Action Plan</b>	Mr. Anthony Cordero, Finance Director UPR Central Administration
<b>Status</b>	Comment repeated. See Finding 10-02

Finding 08-01

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<b>CFDA Number</b>	84.032
<b>Name of Federal Program</b>	Federal Family Education Loan
<b>Type of Compliance Requirement</b>	Status Reporting
<b>Amount of Questioned Cost</b>	None
<b>Contact Person Responsible for Corrective Action Plan</b>	Mr. Abelardo Martínez, Mr. Juan M. Aponte, and Mrs. Briseida Meléndez
<b>Status</b>	Corrected

Finding 08-02

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<b>CFDA Number</b>	84.032
<b>Name of Federal Program</b>	Federal Family Education Loan
<b>Type of Compliance Requirement</b>	Status Reporting
<b>Amount of Questioned Cost</b>	None
<b>Contact Person Responsible for Corrective Action Plan</b>	Mr. Abelardo Martínez and Mrs. Widilia Rodríguez
<b>Status</b>	Corrected

University of Puerto Rico

Summary Schedule of Prior Audits Findings (continued)

Finding 08-03

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<b>CFDA Number</b>	84.033
<b>Name of Federal Program</b>	Federal Work Study
<b>Type of Compliance Requirement</b>	Fiscal Procedures and Records
<b>Amount of Questioned Cost</b>	None
<b>Contact Person Responsible for Corrective Action Plan</b>	Mrs. Awilda Vélez
<b>Status</b>	Corrected

Finding 08-04

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<b>CFDA Number</b>	All Title IV Funds included in the Schedule of Federal Awards
<b>Name of Federal Program</b>	All Title IV Programs included in the Schedule of Federal Awards
<b>Type of Compliance Requirement</b>	Return of Title IV / Special Tests and Provisions
<b>Amount of Questioned Cost</b>	None
<b>Contact Person Responsible for Corrective Action Plan</b>	Mr. José E. Avilés, Mrs. Elizabeth Cortés, and Mr. Edgar Torres
<b>Status</b>	Corrected

University of Puerto Rico

Summary Schedule of Prior Audits Findings (continued)

Finding 08-05	
<b>CFDA Number</b>	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
<b>Name of Federal Program</b>	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
<b>Type of Compliance Requirement</b>	Allowable Costs
<b>Amount of Questioned Cost</b>	\$15,317
<b>Contact Person Responsible for Corrective Action Plan</b>	Mr. Miguel Rivera
<b>Status</b>	Corrected



University of Puerto Rico

Summary Schedule of Prior Audits Findings (continued)

Finding 08-06

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<b>CFDA Number</b>	All Research and Development Programs
<b>Name of Federal Program</b>	All Research and Development Programs
<b>Type of Compliance Requirement</b>	Cash Management / Matching
<b>Amount of Questioned Cost</b>	None
<b>Contact Person Responsible for Corrective Action Plan</b>	Mr. Miguel Rivera
<b>Status</b>	Corrected

Finding 08-07

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<b>CFDA Number</b>	All Research and Development Programs
<b>Name of Federal Program</b>	All Research and Development Programs
<b>Type of Compliance Requirement</b>	Sub-Recipient Monitoring
<b>Amount of Questioned Cost</b>	None
<b>Contact Person Responsible for Corrective Action Plan</b>	Mr. Miguel Rivera
<b>Status</b>	Corrected

Finding 08-08

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<b>CFDA Number</b>	93.853, 93.859
<b>Name of Federal Program</b>	Specialized Program in Cellular and Molecular Biology, MBRS Score Program at the UPR Medical Sciences Campus
<b>Type of Compliance Requirement</b>	Sub-Recipient Monitoring
<b>Amount of Questioned Cost</b>	None
<b>Contact Person Responsible for Corrective Action Plan</b>	Mr. Miguel Rivera
<b>Status</b>	Corrected

University of Puerto Rico

Summary Schedule of Prior Audits Findings (continued)

Finding 08-09	
<b>CFDA Number</b>	84.042, 84.044, 84.047, 84.217
<b>Name of Federal Program</b>	Student Support Services, Talent Search, Upward Bound, McNair Post-Baccalaureate Achievement
<b>Type of Compliance Requirement</b>	Allowable Costs/Cost Principles
<b>Amount of Questioned Cost</b>	None
<b>Contact Person Responsible for Corrective Action Plan Status</b>	Mr. Miguel Rivera Corrected

Finding 08-10	
<b>CFDA Number</b>	84.042, 84.044, 84.047, 84.217
<b>Name of Federal Program</b>	Student Support Services, Talent Search, Upward Bound, McNair Post-Baccalaureate Achievement
<b>Type of Compliance Requirement</b>	Cash Management / Matching
<b>Amount of Questioned Cost</b>	None
<b>Contact Person Responsible for Corrective Action Plan Status</b>	Mr. Miguel Rivera Corrected

Finding 08-11	
<b>CFDA Number</b>	84.044
<b>Name of Federal Program</b>	Talent Search
<b>Type of Compliance Requirement</b>	Eligibility
<b>Amount of Questioned Cost</b>	None
<b>Contact Person Responsible for Corrective Action Plan Status</b>	Mr. Miguel Rivera Corrected

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