March 26, 2010

Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132

Subject: OMB Circular A-133 Corrective Action Plan for the Fiscal Year ended June 30, 2009 of Howard University (“Howard”)

To Whom It May Concern:

This document is being provided to summarize and explain our comprehensive Corrective Action Plan (“CAP”) with respect to auditor findings for the fiscal year ended June 30, 2009, in accordance with OMB Circular A-133.

As required, our CAP addresses fiscal year (FY) 2009 audit findings, and includes: 1) a description of the corrective action; 2) the anticipated implementation date for the corrective action; and 3) the personnel responsible for the implementation.

Reorganization

Throughout Fiscal Years 2009 and 2010, Howard has instituted extensive structural and procedural enhancements to the Finance and Accounting (F&A) function. Highly qualified individuals with experience in complex organizations and accounting processes have been appointed to the positions of Chief Financial Officer and Treasurer, Assistant Vice President - Grants and Contracts Accountability, Director - Accounts Payable, Controller, and Assistant Controller. The new leadership is committed to transforming and enhancing the F&A function in order to provide a sophisticated level of financial services and effective financial stewardship in both grant accounting and general management. These newly developed processes and procedures will ensure that relevant financial data is collected and stored efficiently, and will allow for continuous monitoring and analysis. This will result in more accurate, complete, and timely reporting. Audit findings have identified deficiencies in accounting controls and grant compliance. The current F&A team continues to work toward the full remediation of prior year findings and issues, and the prevention of their reoccurrence.

PeopleSoft

In FY 2009, Howard activated new accounting and enterprise resource planning technology - PeopleSoft Financial System. This software provides the sophisticated electronic tools needed to record, analyze, monitor and store financial data. We will continue to increase the utilization of its capabilities through FY 2010. Within this advanced technology platform, key procedures are
delineated and sequenced to ensure improved internal controls over transactions. Monitoring features enable personnel to generate reports suitable for enhanced analysis and reporting. Newly enabled electronic document storage capabilities, allow us to readily access documentation as well as retain it in accordance with applicable regulations.

**Accounts Payable**

We have centralized the Accounts Payable function and appointed new leadership for the function. New personnel in this area are being trained in best practices related to payables for both financial and grants accounting. The centralized structure allows all invoices to be received by one office. Once the invoice is received, it is processed, coded and paid in a timely manner. Newly adopted internal controls related to purchasing approvals, coding discipline and materials receiving are part of the revised process. Supporting documentation is retained electronically and is readily available to users of that data. Overall, the centralized Accounts Payable function will improve accuracy and timeliness for processing transactions, recordkeeping, documentation retention, and internal controls.

**Grants Management**

We have also developed best practices for the entire grants management process. They are being implemented over the spring and summer of 2010 and will create well-structured, university-wide processes and procedures. We have already appointed new leadership for a redesigned “Grants and Contracts Accountability” function. We are also implementing best practices techniques to include: 1) the utilization of checklists; 2) timelines and reports to track key data and metrics; 3) electronic storage for complete and accurate supporting documentation; and 4) coordination of all grant activity. In the latter part of FY 2010, Howard will finalize the process for Principal Investigators, Deans, and Grants and Contracts Accountability personnel to monitor grant performance and compare the data to established benchmarks on at least a monthly basis. As variances arise, personnel responsible for projects will meet to discuss variances and develop corrective actions. Training sessions related to key aspects of the grant management process will be instituted for personnel that will be involved, to ensure knowledge of the various requirements and caveats of each grant. Grants and Contracts Accountability will also monitor compliance with effort reporting requirements which will include complete and timely effort reporting within the scope of their routine procedures. Appropriate personnel will be held accountable for efficient utilization of funds, compliance with grant parameters, timely reporting, and the overall execution of each project. These efforts will improve the accuracy, timeliness and efficiency of month-end and quarterly financial closing processes.

**Interim Reporting**

In the second quarter of FY 2010, Howard initiated comprehensive monthly and quarterly financial reporting requirements. This effort provides for higher internal scrutiny and a stronger tone-at-the-top of the organization with an emphasis on increased accountability, continual
process improvement, and enhanced critical thinking at every level in order to foster a culture of excellence in financial accountability.

**Conclusion**

We are confident that all of the changes enumerated in this letter, coupled with the diligent work of our personnel, will result in better communication and the dissemination of more timely, relevant, and accurate financial information throughout Howard and to our granting agencies.

The accompanying CAP matrix organizes the FY 2009 audit findings into 12 topical areas. Within each area, the specific finding is referenced by the auditor’s assigned number, followed by the corrective action planned and other required data. Again, we emphasize that Howard is working diligently toward full resolution of these findings and issues.

Should you have any questions, please direct your inquiries to:

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Sincerely,

Robert M. Tarola  
Senior Vice President - Chief Financial Officer and Treasurer
<table>
<thead>
<tr>
<th>Findings Topic</th>
<th>Key Control Considerations</th>
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| I. Lack of Timely Processing of Expenditures                                 | • Commencing in fiscal Q3 2010, the University centralized the Accounts Payable process. Instead of the invoice being sent to someone associated with the grant, all invoices are sent directly to the Accounts Payable Department. Results: improved cut-off, document retention, processing time/compliance. This effort will be finalized in fiscal Q4 2010.  
  o Improvements noted with the A/P process being centralized includes that the University has implemented procedures to ensure that invoices are processed within PeopleSoft in the same period as the services were performed or goods were received. This includes supervisory review of data entered.  
  o In fiscal Q3/Q4 2010, the University will issue formal written communications in the form of policy to those associated with grants to ensure that invoices are received within a timely manner related to the service being performed or the goods being received.  
  o If an invoice has not been received, someone associated with the noted invoice will follow up with vendors and request that an invoice be sent immediately.  
• Monitoring accountability will be implemented in fiscal Q3 and Q4 2010 in the form of monthly reviews of projects by key personnel – Principal Investigators (“PIs”), Deans and Grants and Contracts Accountability (“GCA”) personnel.  
• With the implementation of PeopleSoft, a detailed reconciliation of the Accounts Payable sub-ledger to the general ledger can now occur monthly. In fiscal Q1 2010, the accountant in Accounts Payable began reconciling, researching, and resolving discrepancies relative to the Account Payable sub-ledger and the general ledger. The accounts have also been reviewed, initialed, and dated by the Associate Controller.  
• Interim reporting, implemented in fiscal Q2 2010, will provide for higher internal scrutiny and stronger tone at the top. Quarterly and monthly closes implemented in the 2nd half of 2010 will improve monitoring, compliance and reporting.  
• Starting in fiscal Q3/Q4 2010, the Office of Sponsored Programs (“OSP”) is responsible for identifying cost sharing commitments and entering cost sharing budgets into the designated PeopleSoft Project Account.  
• As of fiscal Q4 2010, GCA will conducts kick-off meetings with the PIs of new awards to review award term and conditions and to ensure that project deliverables and requirements are met. |
## II. Improper Cut-off

2009 Findings References:

- Commencing in fiscal Q3 2010, with the effort being finalized in fiscal Q4 2010, the Accounts Payable process was centralized which:
  - Permits expedited processing;
  - Provides fewer “touches” of supporting data.
- The University has implemented procedures to ensure that the invoices are processed within PeopleSoft in the same period as the services were performed or goods were received.
- Procedures have been implemented in fiscal Q2 2010 to ensure that a monthly hard close is performed which includes reconciliation between the general ledger and the grants module. The reconciliation is reviewed on a monthly basis with an emphasis on the assessment of the proper recording of expenses related to cutoff.
- Interim reporting, implemented in fiscal Q2 2010, will provide for higher internal scrutiny that will address cut-off issues. Quarterly and monthly closes implemented in the 2nd half of 2010 will improve monitoring, compliance and reporting.
- Implemented in fiscal Q3/Q4 2010, monthly reporting of programs to supervisory personnel will include status with key provisions as developed within the acceptance process. This information will also be displayed on the dashboard.
- Beginning in fiscal Q3/Q4 2010, and on a monthly basis, key personnel (PI, Deans and GCA) will examine the progress of their projects/grants.
  - In conjunction with that review, the personnel will review the supporting documentation to determine the allowability of grant related expenditures.
  - This review will include a comparison of actual to budgeted spending and costs.
  - These reports are also the basis for the monthly grant management meeting that now takes place.
  - In conjunction with that review, the personnel will review the supporting documentation to determine the allowability of grant related expenditures.
## III. Lack of Supporting Documentation

**2009 Findings References:**


- Procedures have been implemented in fiscal Q3/Q4 2010 to ensure that all grant related files are filed in a central location with accounts payable documentation. By centralizing the Accounts Payable process, data will reside in one location and be less likely to be lost in translation between the various departments.
- Beginning in fiscal Q4 2010, documentation will be scanned and maintained in the Grant Department with the other grant information. This includes not only grant originating documentation, but all documentation related to grant expenditures.
- In fiscal Q4 2010, a checklist system will be implemented where for key steps in the grant process a checklist must be completed to ensure that all proper actions have been taken.
- In fiscal Q4 2010, formal training sessions will be implemented where the process is explained and demonstrated.
- Beginning in fiscal Q3/Q4 2010, the Office of Sponsored Programs (“OSP”) is responsible for identifying cost sharing commitments and entering cost sharing budgets into the designated PeopleSoft Project Account.
- During fiscal Q3 2010, OSP modified the award set-up process in PeopleSoft by ensuring that all individuals that have been specifically identified in a grant award as “Key Personnel” are entered into the Proposal section of the respective project within the PeopleSoft Grants Module.
- During fiscal Q4 2010, the approval of grant set-up by GCA will be revised so that it will not occur until all required documentation has been received, reviewed, and retained electronically. Until the grant is activated by GCA, charges cannot be applied to the grant.
- In fiscal Q4 2010, a supervisory review process will be implemented where on a monthly basis, key stakeholders review their grant’s activity for the month and verify that all related documentation has been retained to support that activity.
- The University is working on updating the formal written policy/procedures relating to document retention, and expects the policy to be completed/implemented by the end of fiscal Q4 2010.
### IV. Allowability

2009 Findings References:

- Beginning in fiscal Q3/Q4 2010, and on a monthly basis, key personnel (PI, Deans and GCA) will examine the progress of their projects/grants. The review will be based on key metrics derived from a PeopleSoft generated report.
  - In conjunction with that review, the personnel will review the supporting documentation to determine the allowability of grant related expenditures.
  - This review will include a comparison of actual to budgeted spending and costs.
- The University has also implemented a process that requires formal training sessions for the grant personnel that will be directly involved with the award. This training will address the various qualities and caveats of each grant with the intent to provide awareness of the nature of the grant.

### V. Monitoring

2009 Findings References:

- Effective fiscal Q2 2010, the finance and accounting ("F&A") organization has come under new leadership. The new leadership has been engaged to lead a transformation of the F&A organization with the objective of advancing Howard's capability. The personnel in the Office of CFO have extensive experience with complex organizations and managing finance and accounting functions. All finance and accounting services are being restructured to provide high level service and accurate reporting – for both grants accounting and general management. The philosophy and approach from the top will be a disciplined team effort with emphasis on quality, integrity, timeliness and continuous process improvement.
- Beginning in fiscal Q3/Q4 2010, and on a monthly basis, key personnel (PI, Deans and GCA) will examine the progress of their projects/grants. Having the period review at both the PI and Dean levels will hold all parties accountable.
- On a monthly basis, specific accounts are assigned for review, analysis and or reconciliation. The monthly trial balances are reviewed for questionable balances and usual variances. A detailed monthly closing process has been documented with positions and departments responsible for completion of tasks. This process was implemented in fiscal Q3 2010.
  - In conjunction with that review, the personnel will review the supporting documentation to determine the allowability of grant related expenditures.
  - This review will include a comparison of actual to budgeted spending and costs.
• Beginning in fiscal Q3/Q4 2010, and on a monthly basis, grant management reports are prepared within PeopleSoft and reviewed by those responsible for the grants (department heads and PIs). The reports show spending results by grant, compare those results to the budget and calculate the remaining balance of charges to be applied against that grant. Any unexpected results are investigated.

• Weekly meetings are held with Controller Office staff to address and resolve reconciling, reporting operational issues. This process was implemented in fiscal Q3 2010.

On a monthly basis, specific accounts are assigned for review, analysis and or reconciliation. The monthly trial balances are reviewed for questionable balances and usual variances. A detailed monthly closing process has been documented with positions and departments responsible for completion of tasks. This process was implemented in fiscal Q3 2010.

• Starting in fiscal Q1 2010, a period end close process was implemented. Monthly closing meetings with key stakeholders are held prior to closing to increase communication and ensure all data is captured timely. Additionally, the Associate Controller(s) will review PeopleSoft on-line general ledger system weekly to ensure all required entries are posted as events occur.
  o Each report, including any explanations for unusual or unexpected results, is submitted for secondary review.
  o Upon conclusion of this review, the signed report (preparer and reviewer signed) is scanned and maintained within PeopleSoft.

• As of fiscal Q3 2010, GCA continues to verify the F&A rates applied to respective awards and validate F&A charges according to each project’s Life-to-Date activities and F&A bases to ensure accurate and proper application.

• Interim reporting, implemented in fiscal Q2 2010, will provide for higher internal scrutiny that improves monitoring and provides appropriate tone at the top. Quarterly and monthly closes implemented in the 2nd half of 2010 will improve monitoring, compliance and reporting.

• With the implementation of PeopleSoft, a detailed reconciliation of the Accounts Payable sub-ledger to the general ledger can now occur monthly. In fiscal Q1 2010, the accountant in Accounts Payable began reconciling, researching, and resolving discrepancies relative to the Account Payable sub-ledger and the general ledger. The accounts have also been reviewed, initialed, and dated by the Associate Controller.
VI. Improper Coding

2009 Findings References:

- Beginning in fiscal Q3/Q4 2010, on a monthly basis, grant management reports are prepared within PeopleSoft and reviewed by those responsible for the grants. The reports show spending results by grant, compare those results to the budget and calculate the remaining balance of charges to be applied against that grant. Any unexpected results are investigated.
  - Each report, including any explanations for unusual or unexpected results, is submitted for secondary review.
  - Upon conclusion of this review, the signed report (preparer and reviewer signed) is scanned and maintained within PeopleSoft.
  - These reports are also the basis for the monthly grant management meeting that now takes place.
  - In conjunction with that review, the personnel will review the supporting documentation to determine the allowability of grant related expenditures.

- During fiscal Q4 2010, the University will implement a process that requires a formal training sessions for grant personnel that will be directly involved with the award. This training will address the various qualities and caveats of each grant with the intent to provide awareness of the nature of the grant.

- The University will also implement procedures in fiscal Q4 2010 to truncate the selection of charge codes available within PeopleSoft for each grant as determined by the award agreement.

- Interim reporting, implemented in fiscal Q2 2010, will provide for higher internal scrutiny that improves accountability and provides appropriate tone at the top. Quarterly and monthly closes implemented in the 2nd half of 2010 will improve monitoring, compliance and reporting.

- During fiscal Q4 2010, the approval of grant set-up by GCA will be revised so that it will not occur until all required documentation has been received, reviewed, and retained electronically. Until the grant is activated by GCA, charges cannot be applied to the grant.
### VII. Sub-recipient Monitoring – Allowability

2009 Findings References:
- 2009-24/G

- Beginning in fiscal Q3/Q4 2010, and on a monthly basis, key personnel (PI, Deans and GCA) will examine the progress of their projects/grants. Issues such as sub-recipient awards and allowability will be included and monitored regularly.
  - In conjunction with that review, the personnel will review the supporting documentation to determine the allowability of grant related expenditures.
- In fiscal Q3 2010, OSP implemented a process to complete a sub-recipient checklist which permits the University to maintain compliance with both internal and grant parameters.
- The University will also implement in fiscal Q4 2010 a process that requires formal training sessions for grant personnel that will be directly involved with the award. This training will address the various qualities and caveats of each grant with the intent to provide awareness of the nature of the grant.

### VIII. Sub-recipient Monitoring – Expenditures

2009 Findings References:
- 2009-9, 2009-10/F, 2009-24/H

- Beginning in fiscal Q3/Q4 2010, and on a monthly basis, key personnel (PI, Deans and GCA) will examine the progress of their projects/grants. Issues such as sub-recipient awards and expenditures will be included and monitored regularly.
- In conjunction with that review, the personnel will review the supporting documentation to determine the allowability of grant related expenditures.
  - Beginning in fiscal Q3 and continuing through fiscal Q4 2010, the OSP reviews PI approved sub-recipient invoices and completes a compliance checklist. The OSP approved invoice is then sent to A/P.
- The University will also implement in fiscal Q4 2010 a process that requires formal training sessions for grant personnel that will be directly involved with the award. This training will address the various qualities and caveats of each grant with the intent to provide awareness of the nature of the grant.
### IX. Lack of Authorization

**2009 Findings References:**
- 2009-27/E

- Commencing in fiscal Q3 2010, with the effort being finalized in fiscal Q4 2010, the University centralized the process surrounding the payment of grant related invoices. Instead of the invoice being sent to someone associated with the grant, all invoices are sent directly to Accounts Payable.
- The University will implement in fiscal Q4 2010 procedures to ensure that the invoices are processed within PeopleSoft in the same period as the services were performed or the goods were received. This includes supervisory review of data entered.
- The University will also issued in fiscal Q4 2010 formal written communications in the form of a new policy and procedures related to the processing and payment of invoices.
- During fiscal Q4 2010, the approval of grant set-up by GCA will be revised so that it will not occur until all required documentation has been received, reviewed, and retained electronically. Until the grant is activated by GCA, charges cannot be applied to the grant.

### X. Participants

**2009 Findings References:**
- 2009-23, 2009-29

- Beginning in fiscal Q4 2010, prior to engaging in qualified programs, the University will assess whether they meet the criteria set forth by the program in order to participate. PIs will forward participant data to GCA who will review/approve and pass to A/P for processing.
- Within PeopleSoft, a dashboard is utilized to actively track participation/qualification levels and any deficiencies in that area. This will allow the University to steer recruiting efforts. The dashboard will be implemented in fiscal Q3/Q4 2010.
- Monthly reporting of programs to supervisory personnel will include status with key provisions as developed within the acceptance process. This information will also be displayed on the dashboard.
- During fiscal Q3 and Q4 2010, Howard will be working with its third-party service provider, the National Student Clearinghouse, to establish a more frequent graduation reporting schedule. The expanded graduation reporting schedule will ensure that any students who graduated out of the regular cycle are captured and accurately reported to NSLDS.
- During fiscal Q4 2010, the approval of grant set-up by GCA will be revised so that it will not occur until all required documentation has been received, reviewed, and retained electronically. Until the grant is activated by GCA, charges cannot be applied to the grant.
XI. Eligibility – Stipends

2009 Findings References:
2009-28/B

- Starting in fiscal Q3 2010, monthly reconciliations between the grant management system and the general ledger will help to identify and rectify over and under charges to the government. The reconciliations will be reviewed by supervisory personnel and a signed copy will be maintained within PeopleSoft.
- Monthly reporting will allow PIs to monitor charges to their programs/grants and cash and general ledger charges will be included in the report script beginning in fiscal Q4 2010.
- In fiscal Q4 2010, the University will implement and communicate formal policies and procedures related to the reconciling of monthly direct cost charges to grants.
- During fiscal Q4 2010, the approval of grant set-up by GCA will be revised so that it will not occur until all required documentation has been received, reviewed, and retained electronically. Until the grant is activated by GCA, charges cannot be applied to the grant.

XII. Financial Management

2009 Findings References:

- Effective Q2 2010, the finance and accounting (“F&A”) organization has come under new leadership. The new leadership has been engaged to lead a transformation of the F&A organization with the objective of advancing Howard’s capability. The personnel in the Office of CFO has extensive experience with complex organizations and managing finance and accounting functions. All finance and accounting services are being restructured to provide high level service and accurate reporting – for both grants accounting and general management. The philosophy and approach from the top will be a disciplined team effort with emphasis on quality, integrity, timeliness and continuous process improvement.
- Beginning in fiscal Q3/Q4 2010, and on a monthly basis, key personnel (PI, Deans and GCA) will examine the progress of their projects/grants. Having the period review at both the PI and Dean levels will hold all parties accountable.
- Weekly meetings are held with Controller Office staff to address and resolve reconciling, reporting operational issues. This process was implemented in fiscal Q3 2010.
XII. Financial Management (cont.)

- On a monthly basis, specific accounts are assigned for review, analysis and or reconciliation. The monthly trial balances are reviewed for questionable balances and usual variances. A detailed monthly closing process has been documented with positions and departments responsible for completion of tasks. This process was implemented in fiscal Q3 2010.
  - In conjunction with that review, the personnel will review the supporting documentation to determine the allowability of grant related expenditures.
  - This review will include a comparison of actual to budgeted spending and costs.
- The fiscal year 2009 SEFA was prepared using a query that collects information from PeopleSoft system according to clearly defined criteria. This query was updated during fiscal Q3 2010 to correct issues encountered.
- Interim reporting, implemented in fiscal Q2 2010, will provide for higher internal scrutiny that improves accountability and provides appropriate tone at the top. Quarterly and monthly closes implemented in the 2nd half of 2010 will improve monitoring, compliance and reporting.
- Starting in fiscal Q1 2010, monthly closing meetings with all stakeholders are held prior to closing to increase communication and ensure all data is captured timely. Additionally, the Associate Controller(s) will review PeopleSoft on-line general ledger system weekly to ensure all required entries are posted as events occur.
- Beginning in fiscal Q4 2010, the University will implement a process that requires formal training sessions for grant personnel that will be directly involved with the award. This training will address the various qualities and caveats of each grant with the intent to provide awareness of the nature of the grant.