



Item: AF: I-4B

AUDIT AND FINANCE COMMITTEE

Wednesday, October 24, 2007

SUBJECT: REVIEW OF AUDITS: REPORT NO. FAU 06/07-5, AUDIT OF STUDENT EMPLOYMENT FOR THE FALL 2006 SEMESTER.

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

Audit objectives were to evaluate the adequacy and effectiveness of internal controls over the hiring and termination processes, and maintenance of required student employment records.

Four recommendations were made to address procedural and documentation issues.

IMPLEMENTATION PLAN/DATE

Management has agreed to implement the audit recommendations during the period August 1, 2007 through January 1, 2008.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: Report No. FAU 06/07-5.

Presented by: Mr. Morley Barnett, Inspector General

Phone: 561-297-3682

Report No. FAU 06/07-5
Report Issue Date: June 29, 2007

FLORIDA ATLANTIC
UNIVERSITY™

Office of Inspector General

Audit Report: Student Employment
For the Fall 2006 Semester

Use of Report

We are employed by Florida Atlantic University. This report is intended solely for the internal use of Florida Atlantic University and its governing bodies and is not intended to be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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**REPORT ON THE AUDIT OF
STUDENT EMPLOYMENT**

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OFFICE OF INSPECTOR GENERAL
Florida Atlantic University

MEMORANDUM

TO: Frank T. Brogan
President

FROM: Morley Barnett 
Inspector General

DATE: June 29, 2007

SUBJ: AUDIT OF STUDENT EMPLOYMENT

In accordance with the University's Internal Audit Plan for fiscal year 2006-07, we have conducted an audit of the Student Employment function at Florida Atlantic University for the Fall 2006 semester. The report contained herein presents our scope and objectives and provides comments and conclusions resulting from procedures performed.

We have made four recommendations to address our findings. We concur with the responses of the auditee which have been incorporated into the report. In accordance with our established procedures, follow-up will be performed subsequent to the issuance of this report to determine effective implementation of our recommendations by management.

Please call me if you have any questions.

cc: University Provost
Vice Presidents
Auditee
FAU BOT Audit and Finance Committee
Chancellor, State University System of Florida
Florida Auditor General

EXECUTIVE SUMMARY

In accordance with the University's Internal Audit Plan for fiscal year 2006-07, we have conducted an audit of the Student Employment function at Florida Atlantic University for the Fall 2006 semester.

Our audit objective was to evaluate the adequacy and effectiveness of the internal controls over the following areas for student Temporary employees:

- Hiring process;
- Security and maintenance of accurate and timely-updated records; and,
- Termination process.

Audit procedures included, but were not limited to, the evaluation of internal controls as those controls relate to the accomplishment of the foregoing audit objectives, as well as the performance of compliance testing on samples of records for new hires and terminated employees in order to determine whether control procedures were operating effectively.

Based on our observations and tests performed, we are of the opinion that the evaluated operations of the Student Employment Office were being conducted in general compliance with all applicable laws, rules, regulations, policies, procedures, and sound business practices. We identified opportunities for improvement in areas pertaining to transaction documentation and procedure development.

The details of all findings, as well as suggestions for corrective action, can be found in the Comments and Recommendations section of this report.



OFFICE OF INSPECTOR GENERAL

Florida Atlantic University

June 29, 2007

Frank T. Brogan
President
Florida Atlantic University
Boca Raton, Florida

Dear President Brogan:

SCOPE AND OBJECTIVES

In accordance with the University's Internal Audit Plan for fiscal year 2006-07, we have conducted an audit of the Student Employment function at Florida Atlantic University for the Fall 2006 semester.

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Audit procedures included, but were not limited to, the evaluation of internal controls as those controls relate to the accomplishment of the foregoing audit objectives, as well as the performance of compliance testing on samples of records for new hires and terminated employees in order to determine whether control procedures were operating effectively.

We obtained an understanding of the operations of the Student Employment Office by reviewing written policies and procedures, interviewing key departmental personnel, observing actual practices, and evaluating key internal controls. Our assessment of compliance with applicable laws, rules and regulations, and established policies and procedures was based on reviews of pertinent supporting documentation for judgementally selected samples of new and terminated employees. Populations, sample sizes, and selection methods were determined based on our evaluation of internal controls, our assessment of audit risk, the availability of pertinent University records, and other factors including auditor judgement.

We conducted our audit in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

777 Glades Road, ADM 293 • Boca Raton, FL 33431-0991 • tel: 561.297.3682 • fax: 561.297.2479

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BACKGROUND

The Student Employment Office (SEO) - a unit of the Student Financial Aid Office - is the central repository of the official personnel records for all current and former student employees. The purpose of the SEO is to assist students in obtaining jobs which will help defray the cost of a college education; provide an equitable personnel-practices program; efficiently bring together the available student work force with available jobs; and, provide all students seeking jobs with an equal opportunity to obtain employment.

The functions of the SEO include, but are not limited to, processing of all student appointments, terminations, and change-of-status forms; posting part-time, full-time, and seasonal positions; soliciting positions within campus departments to be filled by students; soliciting positions with off-campus employers; establishing and maintaining Internet access for accessing jobs; and, administering the Federal Work Study Program. During the course of the audit, the SEO was staffed by a manager, two program assistants, and approximately five part-time student employees. For the Fall 2006 semester, the SEO processed appointments for approximately 500 new student employees.

COMMENTS AND RECOMMENDATIONS

Current Findings and Recommendations

Untimely Processing of Appointments for Newly-Hired Student Employees

In accordance with current SEO policies and procedures, specific documents are required to be completed by, or on behalf of, all newly-hired student Temporary employees as part of the hiring process. In addition, certain important steps in the process - including, but not limited to, having the prospective student employee complete the new hire documentation package; verification of the student's academic eligibility for employment; and, the processing of the student appointment form to the Banner HR system - are required to be completed prior to the student's commencement of employment with the university.

Compliance testing of the records for a judgementally selected sample of 50 student Temporary employees (25 regular, 15 federal work study, and ten international students) hired during the Fall 2006 semester resulted in the following reportable exceptions:

- *Sixteen* instances where the student employee began work prior to completing all the required sign-in package documents at the SEO which included, among other things, the I-9 (*Employment Eligibility Verification Form*) and the *State of Florida Loyalty Oath*;
- *Twenty five* instances where the student employee began work before his/her academic eligibility for employment was verified, and the student appointment form was processed to Banner HR by the SEO; and,
- For *six* of 38 non-exempt student employees included in our sample, we were unable to locate properly completed and signed-off *Employee Acknowledgement of Maximum Hours to be Worked per Week* forms.

Recommendation No. 1

Notwithstanding the fact that the aforementioned exceptions generally relate to the failure of the hiring departments to prepare and submit the student appointment forms timely, we recommend that SEO management re-emphasize the importance of proper and prompt completion of the requisite employment documents with all university departments involved in the hiring of students.

Management's Response

Action Plan:

The SEO will re-emphasize the importance of proper and prompt completion of employment documents. The following notice will be posted continually on the FAU University Announcements, the HR Announcements, and the Fiscal-L Listservs:

ATTENTION ALL DEPARTMENTS WITH STUDENT WORKERS. Due to US Government regulations, it is imperative that all new temporary student workers sign-in with the Student Employment Office PRIOR to beginning any assignment. Please contact the Student Employment Office, 7-3518 or bstern9@fau.edu, with further questions or concerns.

Also, our website which currently states "Upon being hired for the first time (by FAU), all students need to come to Student Employment to complete a sign-in packet. This has to be completed within the first three days of employment!" will be changed to the above. Although legally the I-9 can be filled out within three days of employment, if FAU stresses PRIOR to employment, our compliance may increase.

Implementation Date:

August 1, 2007

Responsible Auditee:

Carole Pfeilsticker, Director of Student Financial Aid

Incomplete Payroll Time Records for Student Employees

Established university policies and procedures require all student Temporary employees classified as non-exempt to complete a biweekly time record to document hours worked. The biweekly time record is required to be signed and dated by the employee and his/her supervisor to certify the propriety of the hours worked by the student.

Compliance testing of the payroll records for one judgementally selected pay period - during the Fall 2006 semester - for a sample of 34 non-exempt student employees (15 federal work study, 15 regular, and four

international students) hired during audit period, resulted in the following reportable exceptions:

- *Five* instances where the biweekly time record was not signed and/or dated by the student employee;
- *Three* instances where the biweekly time record was not signed by the supervisor; and,
- *One* instance where the biweekly time record did not indicate the date on which it had been signed by the supervisor.

Recommendation No. 2

To ensure consistent compliance with established procedures, we recommend that SEO management reiterate the importance of proper completion of biweekly time records with university departmental employees involved in the supervision of non-exempt student employees.

Management's Response

Action Plan:

The SEO will re-emphasize the importance of proper completion of biweekly time records. On the student employment website, as an introduction to the timecard, we will add:

The below time record must be completed with all dates and signatures of both the student and the supervisor in order to be valid. Any incomplete information will invalidate this record.

Implementation Date:

August 1, 2007

Responsible Auditee:

Carole Pfeilsticker, Director of Student Financial Aid

Criminal History Checks for New Student Employees

According to SEO's written policies and procedures, criminal history checks are required to be conducted for all new student employees whose duties will involve money handling. The criminal history check requirement also extends to continuing student employees whenever they are hired to new positions that involve money handling. The procedures indicate that affected student employees are required to complete an *Authorization to Release Information* form which is to be sent to the Human Resources Department where the checks are to be conducted.

Notwithstanding the aforementioned written procedures, our discussions with management indicated that the SEO had not established a formal arrangement with the Human Resources Department regarding the performance of the criminal background checks for student employees. As such, there was no assurance that the checks would be performed for student employees who handled money on behalf of the university.

Recommendation No. 3

We recommend that SEO management collaborate with the Human Resources (HR) Department to establish an appropriate protocol for the performance of criminal background checks for student employees involved in money handling. This protocol should address, among other things, the communication of criminal history check requests and results between the SEO and HR Department, as well as guidelines to evaluate the employment eligibility of prospective student employees with negative criminal histories.

Management's Response

Action Plan:

The SEO will collaborate with HR to establish a protocol for criminal background checks for students handling money. There is currently a place on the Appointment Form to identify these students. Procedures will be updated in the written policies and procedures for student employment.

Implementation Date:

August 1, 2007

Responsible Auditee:

Carole Pfeilsticker, Director of Student Financial Aid

Lack of Policy for Terminated Student Employees with no Assignment Activity

Based on discussions with management, we noted that student employees retain an active employee status indefinitely on the Banner HR system when their appointments terminate with the university, irrespective of whether the student does or does not have a continuing appointment. The absence of a policy addressing a specific period of assignment inactivity after which the active status of a terminated student employee would be changed to inactive/terminated on Banner HR, increases the potential risk that a fraudulent or unauthorized student assignment could be created on the system for an ex-employee who may have graduated or otherwise left the university.

Recommendation No. 4

In order to mitigate the risk of having terminated student employees indefinitely retain an active status on Banner HR, we recommend that an appropriate policy be established to reclassify ex-

employees as terminated on the system after a defined period of no assignment activity. Proper monitoring procedures should be implemented to identify and facilitate the status change for affected former student employees consistent with the policy.

Management's Response

Action Plan:

When Banner for Students goes live, the SEO and Department of Human Resources will work on developing a report to identify students who have not worked for an established period of time. From this report, the SEO will terminate students in the Banner HR system. Until that time, the SEO will terminate students from Banner as we manually pull files according to our SEO current policy. Files with no activity for three years are manually pulled. These student employees will be terminated in the Banner HR system.

Implementation Date:

January 1, 2008

Responsible Auditee:

Carole Pfeilsticker, Director of Student Financial Aid

Corrective Action Already Taken

Based on observations during the course of fieldwork, we noted that the personnel files for student employees were stored in metal file cabinets in the SEO file room which was kept open during the business day. Although the room doors were locked overnight, the file cabinets were kept unlocked at all times. We observed that file cabinets housing the inactive personnel files of ex-employees did have keys, whereas management indicated to us that the file cabinets housing the current personnel files did not have keys. Under the aforementioned circumstances, several employees inside and outside of the Financial Aid Office had keys to the SEO file room, and, as such, there was a lack of proper accountability for custody of the personnel files to the extent that the file cabinets were unlocked at all times.

After we brought the abovementioned issue to management's attention, SEO personnel elected to physically transfer all current personnel files for student employees to storage cabinets within the Financial Aid Office file room. These storage cabinets were kept locked during non-business hours and the keys were assigned to a limited number of Financial Aid Office employees. In addition, SEO management agreed to lock the file cabinets housing the inactive personnel files of ex-employees (in the SEO file room) during non-business hours, and assign custody of the keys to the Student Employment Manager. To the extent that we were able to verify that these corrective actions had been taken, no further action or response from management is deemed necessary.

Prior Audit Recommendations

Our examination generally includes a follow-up on findings and recommendations of prior internal audits, where the subjects of such findings are applicable to the scope of the current audit being performed.

Within the past three years, our office has not conducted any audits related to the operations of the Student Employment Office. Accordingly, a follow-up on prior audit findings is not applicable.

CONCLUSION

Based on our observations and tests performed, we are of the opinion that the evaluated operations of the Student Employment Office were being conducted in general compliance with all applicable laws, rules, regulations, policies, procedures, and sound business practices. We have identified several opportunities to enhance internal controls which we believe can be readily corrected in a cost-effective manner.

We wish to thank the staff of the Student Employment Office for their cooperation and assistance which contributed to the successful completion of this audit.



Morley Barnett, CPA, CFE
Inspector General

Audit Performed By: Mike Hewett, CIA, CBA, CFSA, CGAP
Ben Robbins, CPA