

AUDIT AND FINANCE COMMITTEE
Tuesday, February 24, 2015

SUBJECT: REVIEW OF AUDITS: FAU 14/15-1, AUDIT OF HUMAN RESOURCES - NEW HIRES FOR THE PERIOD JULY 1, 2013 THROUGH MARCH 31, 2014.

PROPOSED COMMITTEE ACTION

Information only.

BACKGROUND INFORMATION

Primary objectives of this audit were to evaluate:

- The adequacy and effectiveness of internal controls over the recruitment and hiring processes for new AMP (Administrative, Managerial, & Professional), SP (Support Personnel), student and non-student Temporary, and faculty employees; and,
- The security, accuracy, and completeness of manual/electronic recruitment and hiring records maintained for the aforementioned employees.

One recommendation was made to address multiple procedural and documentation matters related to the hiring of all categories of university employees.

IMPLEMENTATION PLAN/DATE

Management has agreed to implement our recommendation by December 31, 2015.

FISCAL IMPLICATIONS

Not applicable.

Supporting Documentation: Audit Report FAU 14/15-1

Presented by: Mr. Morley Barnett, Inspector General

Phone: 561-297-3682

Report No. FAU 14/15-1
Report Issue Date: December 17, 2014

FLORIDA ATLANTIC
UNIVERSITY™

Office of Inspector General

Audit Report: Human Resources – New Hires
For the Period of July 1, 2013 through March 31, 2014

Use of Report

We are employed by Florida Atlantic University. This report is intended solely for the internal use of the State University System 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.

BOCA RATON • DANIA BEACH • DAVIE • FORT LAUDERDALE • JUPITER • PORT ST. LUCIE

**REPORT ON THE AUDIT OF
HUMAN RESOURCES – NEW HIRES**

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New Employee Orientation

Welcome to Florida Atlantic University

Florida Atlantic University offers an excellent employee benefits package that includes various types of insurances, retirement plans, and generous annual and sick leave policies.

Each Monday the *Department of Human Resources* provides a **New Employee Orientation** that lasts all day. Employees will be given an overview of the policies, procedures and benefits available. Other items addressed are supplemental insurance plans, retirement, compensation, Sexual Harassment and Ethics, attendance and leave, disciplinary actions, training, performance appraisals, employee discounts and other topics of interest.

View Orientation PowerPoint Presentations		
Employee Relations New Employee Presentation	Benefits New Employee Presentation	Benefits New OPS Employee Presentation

In the event the day ends early, new employees will be credited with a full eight-hour work day. Temporary employees, who will not participate in the Benefits Orientation during the afternoon session, will be paid for the actual time of their attendance at orientation.



MEMORANDUM

TO: Dr. John Kelly
President

FROM: Morley Barnett 
Inspector General

DATE: December 17, 2014

SUBJ: AUDIT OF HUMAN RESOURCES – NEW HIRES

In accordance with the University's Internal Audit Plan for fiscal year 2014-15, we have conducted an audit of select centralized processes within the Human Resources (HR) Department pertaining to the recruitment and hiring of new university employees for the period July 1, 2013 through March 31, 2014. The report contained herein presents our scope and objectives and provides comments and conclusions resulting from procedures performed.

We have made one recommendation to address our finding. We concur with the response of the auditee which has 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 the recommendation by management.

Please call me if you have any questions.

cc: University Provost
Vice Presidents
Auditee
FAU BOT Audit and Finance Committee
Inspector General, Florida Board of Governors
Florida Auditor General

EXECUTIVE SUMMARY

In accordance with the University's Internal Audit Plan for fiscal year 2014-15, we have conducted an audit of select centralized processes within the Human Resources (HR) Department pertaining to the recruitment and hiring of new university employees for the period July 1, 2013 through March 31, 2014.

The primary objectives of this audit were to evaluate:

- The adequacy and effectiveness of internal controls over the recruitment and hiring processes for new AMP (Administrative, Managerial, & Professional), SP (Support Personnel), student and non-student Temporary, and faculty employees; and,
- The security, accuracy, and completeness of manual/electronic recruitment and hiring records maintained for the aforementioned employees.

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 of applicable records for a sample of new hires in order to determine whether control procedures were operating effectively.

Based on our observations and tests performed, we are of the opinion that the university's recruitment/hiring operations for new employees were being conducted in general compliance with all applicable laws, rules, regulations, policies, and procedures, and sound business practices. Notwithstanding this assessment, our compliance testing of new employee records identified opportunities for improvement relating to the timeliness and/or proper completion of certain requisite documents and procedural actions.

Details of the aforementioned finding, as well as suggestions for corrective action, can be found in the Comments and Recommendations section of this report.

Dr. John Kelly
President
Florida Atlantic University
Boca Raton, Florida

Dear President Kelly:

SCOPE AND OBJECTIVES

In accordance with the University's Internal Audit Plan for fiscal year 2014-15, we have conducted an audit of select centralized processes within the Human Resources (HR) Department pertaining to the recruitment and hiring of new university employees for the period July 1, 2013 through March 31, 2014.

The primary objectives of this audit were to evaluate:

- The adequacy and effectiveness of internal controls over the recruitment and hiring processes for new AMP (Administrative, Managerial, & Professional), SP (Support Personnel), student and non-student Temporary, and faculty employees; and,
- The security, accuracy, and completeness of manual/electronic recruitment and hiring records maintained for the aforementioned employees.

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 of applicable records for a sample of new hires in order to determine whether control procedures were operating effectively.

We obtained an understanding of the audited Human Resources operations by reviewing written policies and procedures, interviewing key departmental personnel, performing analytical reviews of selected new employee statistical information, 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 a review of pertinent supporting documentation for a judgmentally selected sample of new 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 judgment.

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

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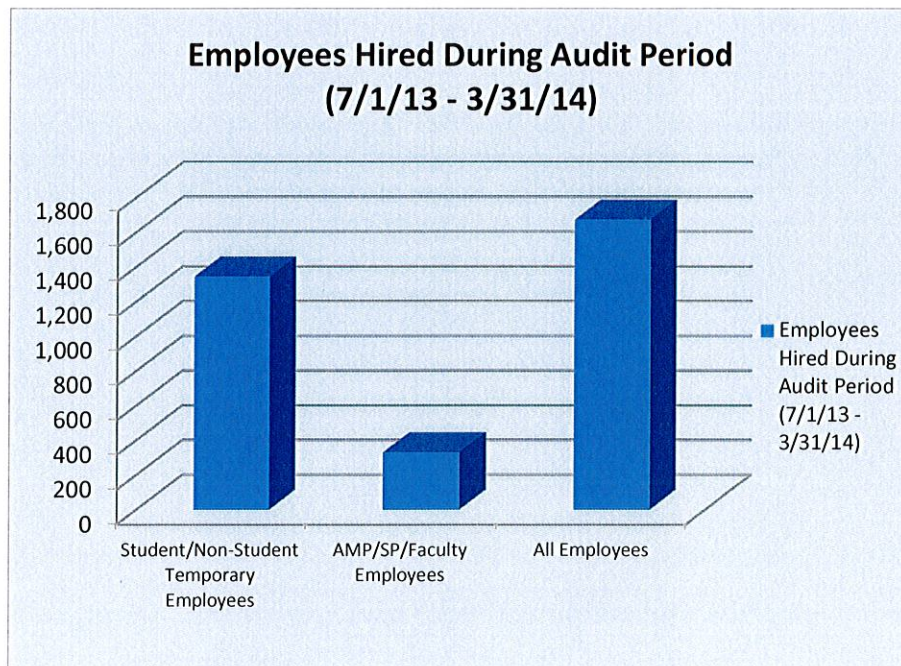
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BACKGROUND

The Human Resources Department is the central repository of the official personnel records for all current and former university employees. The mission of the department is to develop, implement, and maintain a comprehensive personnel administration program that meets the staffing, employee development, and retention needs of the university community. To facilitate this mission, the department is currently staffed by approximately 30 full-time employees logically organized into operational units addressing recruitment services, student employment, processing and records, employee relations, benefits and retirement, and classification and compensation.

The Recruitment Services unit of the HR Department is responsible for assisting university departments with the recruitment and hiring of qualified candidates for Administrative, Managerial & Professional (AMP), Support Personnel (SP), non-student Temporary, and faculty positions. Searches for tenure-earning, tenured, and non-tenure track faculty employees involve the applicable academic department/college as well as the Provost's Office which is primarily responsible for approving the faculty positions and verifying the faculty member's credentials. The Student Employment unit of Human Resources is responsible for aiding university departments with the recruitment and hiring of qualified candidates for student Temporary positions. Based on records provided by HR management, approximately 1,670 employees were hired by the university during the audit period of 7/1/13 – 3/31/14, of which approximately 1,340 (80%) were student and non-student Temporary employees.



COMMENTS AND RECOMMENDATIONS

Current Findings and Recommendations

New Hire Documentation Deficiencies

Unless a search is waived in accordance with FAU's Personnel Policy, all requests for recruitment begin with an appropriate action processed through the PeopleAdmin talent management system. Recruitment waivers may be used to hire a current employee or non-employee into a newly created or existing vacant line position. In accordance with current personnel policies and procedures, specific documents are required to be completed by, or on behalf of, all newly-hired AMP, SP, non-student/student Temporary, and faculty employees as part of the recruitment/hiring process. In addition, the Recruitment Services unit is required to submit criminal background check requests to the university's approved third-party contractor for completion of the checks before the employee's start date. Further, electronic Form I-9 (Employment Eligibility Verification) queries must be initiated via the E-Verify system within three business days of the employee's hire date as required by federal law.

Compliance testing of the records for a sample of 80 employees (48 AMP/SP/non-student Temporary, 16 faculty, and 16 student Temporary) hired during the audit period of 7/1/13 - 3/31/14, resulted in several documentation and procedural deficiencies. We identified the following reportable exceptions:

- a. For all 48 AMP, SP, and non-student Temporary employees, there was no evidence that the verifications of related work experience were completed by the hiring authorities. HR did not follow-up with the hiring authorities to confirm that relevant prior work experience was verified;
- b. For all four approved AMP recruitment waivers, the Classification & Compensation unit did not update the position's file and description with the incumbent's name in the PeopleAdmin system as required;
- c. For 13 employees (three non-student Temporary, five faculty, and five student Temporary), one or more of the documents required to be completed and signed by the hiring authority (i.e., *Personnel Action Form (PAF)*, employment offer letter, *Employment Acknowledgement of Maximum Hours to be Worked per Week* form, *Faculty Notice of Appointment* form, *Student Temporary Appointment* form, and/or *Position Job Identification Form for Non-Line Positions*) were not received in the HR Department/Student Employment Office prior to the employee's start date;
- d. For five employees (one non-student Temporary and four student Temporary), the criminal background checks were not completed before the employee's start date as required. Management indicated that these exceptions occurred because the information required for the screenings was not received from the hiring departments in a timely manner;
- e. For 17 employees (one AMP; four non-student Temporary; six faculty; and six student Temporary), the electronic Form I-9 E-Verify queries were not initiated within three

business days of the employee's hire date as required by federal law. For three of the 17 employees, the reason indicated for the delay was the employee's lack of a social security number. For two of the six student employees, the hire date on the electronic Form I-9 did not agree with the "begin date" on the employee's EPAF (Electronic Personnel Action Form);

- f. *Two* of 16 student Temporary employees did not view the student orientation video on or prior to their start dates as required. Management indicated that these exceptions occurred because the students were late in completing the sign-in process, of which viewing the orientation video was a part. In addition, for these employees, one or more of the documents required to be completed and signed-off by the new employee at "sign-in" at the Student Employment Office were not completed and signed-off on or before their start dates;
- g. For *two* of six SP positions filled with qualified military veteran applicants who claimed preference, the *Veterans' Preference Special Consideration Forms* were not completed by the hiring authorities to document compliance with Florida Statute 295.07, *Preference in appointment and retention*;
- h. *Four* faculty employees did not electronically complete an employment application through the PeopleAdmin system; and,
- i. For *seven* of 16 student Temporary employees, the "original hire" date on the Banner HR *Employee (PEAEMPL)* form and the "beginning date of assignment" on the *New Student Employee Form*, did not agree with the "begin date" on the employee's EPAF.

Recommendation No. 1

We recommend management ensure:

- a. A *Verification of Employment* form, or other appropriate method, is developed and implemented for hiring authorities to properly document their verifications of relevant prior employment for all AMP, SP, and non-student Temporary employees. Additionally, upon implementation, HR should follow-up with the hiring authorities to obtain the requisite documentation to confirm the related work experience was verified;
- b. Classification & Compensation is informed of recruitment waivers in order for the position's file and description to be updated with the incumbent's name in the PeopleAdmin system as required. To facilitate better compliance, the Recruitment Services processing checklist should be revised to require timely notification to the Classification and Compensation unit;
- c. The hiring departments provide HR with the specific documents required prior to the employee's start date;

- d. The hiring departments timely provide Recruitment Services with the required information necessary for criminal background checks to be completed before the employee's start date as required;
- e. All electronic Form I-9 E-Verify queries are initiated within three business days of the employee's hire date as required by federal law. In addition, the hire date should agree with the employee's actual start date;
- f. All student Temporary employees "sign-in" at Student Employment on or before their start dates in order to complete required documents and comply with applicable federal regulations;
- g. As best practice, *Veterans' Preference Special Consideration Forms* are completed by the hiring authorities for all eligible qualified military veteran applicants interviewed for SP positions – irrespective of whether the applicant was hired or not - to consistently document compliance with Florida Statute 295.07, *Preference in appointment and retention*;
- h. As best practice, all employees - as part of their contractual relationship with the university - electronically complete an employment application through the PeopleAdmin system; and,
- i. The actual start date for student Temporary employees is indicated on the Banner HR *Employee (PEAEMPL)* form and *New Student Employee Form*, and this information agrees with the employee's EPAF.

Management's Response

In many cases the discrepancies identified in the attached audit resulted from hiring departments NOT providing HR with the proper information, documentation or both not being provided in a timely fashion as it related to the onboarding of their new hires. In order to rectify these discrepancies from taking place in the future, the HR department through the appropriate channels, will consider recommending sanctions being levied on hiring departments in order to better ensure accountability on their part. We are also hopeful that with the rollout of the Workday HCM (Human Capital Management) product in July 2015, that many of these issues will be resolved as hiring departments take a more active role in the onboarding process of their new hires.

Action Plan:

- a. Our process for hiring temps does not require the hiring manager to do a reference check. However, it is HR's recommendation to verify work experience for all other hires and is entirely up to the individual departments to choose to conduct such verifications. There is no official University policy addressing this issue. For posted (AMP/SP/non-student Temporary) positions only, we will require managers to enter comments in the "Notes" section of People Admin supporting the reference checks they conducted. HR will also add a comment about notifying the department.

- b. There was no formal procedure to ensure that Classification and Compensation received a copy of the PAF to update the information in PeopleAdmin. The procedure has been updated to ensure future actions are handled appropriately. In *Workday the business process will automatically notify Classification and Compensation to update People Admin.*
- c. HR has no control regarding the lack of notification which is the responsibility of the hiring department. HR has continuously expressed this issue as a concern and the hiring departments need to be held accountable for these deficiencies. To date, it has not been HR's practice to delay a start date because required documents were not received. In *Workday the business process will notify HR in a timely matter.*
- d. *The response that "these exceptions occurred because the information required for the screenings were not received from the hiring departments in a timely manner" is in fact correct.* HR has no control regarding the lack of notification which is the responsibility of the hiring department. HR has continuously expressed this issue as a concern and the hiring departments need to be held accountable for these deficiencies. *This issue will be eliminated once Workday goes live as part of the hiring and on boarding process.*
- e. HR has no control over when the employees complete their I-9 when we have no knowledge of the employee's starting date. HR has continuously expressed this issue as a concern and the hiring departments need to be held accountable. It is the hiring department's responsibility to complete the EPAF and HR does not have a function in that process. *Date issue should be minimized with Workday training.*
- f. HR has no control regarding the lack of notification which is the responsibility of the hiring department. The hiring departments should be held accountable for any delays in the sign-in process due to their late submission of new hire paperwork. This process will be part of onboarding in Workday and it should alleviate the exceptions.
- g. Veterans' preference is documented in PeopleAdmin by applicant statuses of either interviewed or hired and this serves as proof of compliance with the Florida Statutes. As a result of this audit, we plan to eliminate the use of the form.
- h. Two of the faculty hires were a visiting assignment and a research associate. Both of these types of hires are not posted and the applicants are not required to complete an application. Adjuncts currently do not complete an online application. That will change once Workday goes live.
- i. HR inputs the "Original Hire" and "Beginning Date of Assignment" when given the date from the hiring department. The stated issue occurred when the department prepared an EPAF using a different date. HR has no control of the data content of the EPAF as prepared by the individual departments. *Date issue will be resolved once Workday goes live. There will be only an electronic process to get employees into Workday HCM system. Paper PAF will be eliminated.*

Implementation Dates:

- Recommendations: a., b. and g. – February 1, 2015.
- Recommendations: c., d., e., f., h. and i. – December 31, 2015.

Responsible Auditee:

David Tomanio, Assistant VP – Human Resources.

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 fiscal years, our office has not conducted any audits related to the recruitment/hiring process for new employees. 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 university's recruiting/hiring operations for new employees were being conducted in general compliance with all applicable laws, rules, regulations, policies, and procedures, and sound business practices. Notwithstanding this assessment, our compliance testing of new employee records identified opportunities for improvement relating to the timeliness and/or proper of completion of certain requisite documents and procedural actions. We believe our recommended measures to improve the internal control environment are cost-effective and can be readily implemented.

We wish to thank the staffs of the Human Resources Department and Provost's Office for their kind 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
Allaire Vroman