

# Internal Audit Report

September 5, 2019

# Uniform Guidance for Federal Awards Procurement Standards Compliance

Audit Objectives:	<i>RISK MITIGATION</i>			
	Adequate Controls & Practices	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
Evaluate procurement policies and procedures for compliance with the Uniform Guidance				
Review contract and purchase order terms and conditions for compliance with requirements under the Uniform Guidance				
Review grant accounting procedures for cost transfer requests to ensure compliance with procurement standards				
Evaluate procurement transactions for compliance with procurement methods required under the Uniform Guidance				

# Uniform Guidance Procurement Standards

## Control Issues and Responses

- **Issue 1:** There is not a process to review prospective vendors and contractors providing goods or services under federal awards for potential suspension, debarment, or other exclusions.
- **Response:** Procurement will review the list of parties suspended, debarred, or otherwise excluded from receiving federal awards or contracts prior to selecting vendors or contractors.
- **Issue 2:** Some contract provisions required by the Uniform Guidance are not addressed in the University's purchase order terms and construction contract template.
- **Response:** Procurement will incorporate the required provisions into contracts and purchase orders associated with federal awards.

# Uniform Guidance Procurement Standards Control Issues and Responses

- **Issue 3:** The University's purchasing policy does not address thresholds and circumstances for procurement by competitive proposals.
- **Response:** Procurement will define in the procurement policy the circumstances and dollar thresholds for using competitive proposals.
- **Issue 4:** There is not a documented procedure for reviewing cost transfer requests to verify the federal procurement standards were followed before processing a transfer.
- **Response:** Grant accounting personnel will document procedures for reviewing cost transfer requests to ensure they meet the federal requirements for obtaining competitive quotations or bids.

# Employment, Payroll, and Benefits

Audit Objectives:	RISK MITIGATION			
	Adequate Controls & Practices	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
New hires, terminations, and other employee related changes are accurately processed on the human resource and payroll system				
Employment eligibility verification processes comply with federal requirements and Banner I-9 data is reliable				
Benefit elections, tax filing status, withholding allowances, and payroll direct deposit data are authorized and recorded accurately in the payroll system				
Pay rate changes are properly authorized and processed accurately				
Payroll hours are reported accurately, and employees are properly compensated				
Payroll transfers are authorized, payroll cards are properly secured, deposits are made to the appropriate accounts, and taxes are properly calculated and remitted				
Benefit invoices are reconciled to participant data in the human resource system				
Access to the HR module in Banner is properly restricted				

# Employment, Payroll, and Benefits Control Issues and Responses

- **Issue 1:** Forms used to track the data entry and review of employment, payroll, and employee benefit data were not consistently initialed by personnel performing verification of the data entry. This could indicate the data entered were not reviewed.
- **Response:** Human resources will develop change/audit reports generated from Banner to identify critical data fields that contain new or modified data and implement a review process by someone independent of the data entry.

# Employment, Payroll, and Benefits Control Issues and Responses

- **Issue 2:** While there was documented evidence available of executive management approval of the 2018 housing summer rehabilitation bonus structure and budget, there was not documentation available showing human resources review and approval of the individual bonus payouts prepared by the Senior Employment Assistant.
- **Response:** Human resources management will formalize and document management approval of the bonus payouts for the August 2019 bonuses.

# Employment, Payroll, and Benefits Control Issues and Responses

- **Issue 3:** Plans are in place to implement an online employee benefits enrollment process. The online election process is targeted for fall 2019 while the upload of data to Banner and the benefit providers will be implemented later.
- **Response:** Human resources management is targeting implementation of the employee benefit election upload to Banner HR by June 2020 to ensure that the process is in place prior to the fall 2020 open enrollment period.



# Employment, Payroll, and Benefits Control Issues and Responses

- **Issue 4:** The current payroll processing schedule includes a bi-weekly payroll for support staff and temporary workers, a bi-weekly payroll for student workers, and monthly payroll for full-time faculty, administrative staff members, and adjunct faculty. The variety of payroll cycles creates complexities that impact the efficiency and effectiveness of payroll processing.
- **Response:** Senior management has approved the transition of monthly payroll to a bi-weekly payroll schedule to occur following the implementation of an electronic time reporting system for both student employees and support staff in the fall of 2020 and spring of 2021, respectively.

# Employment, Payroll, and Benefits Control Issues and Responses

- **Issue 5:** The current payroll processing environment relies heavily on hard-copy documents for tracking and reporting hours worked and employee time off (both paid and unpaid time).
- **Response:** Human resources management has targeted the implementation of an electronic time and attendance reporting system to occur in three phases, with the last phase completed in fall 2021 or shortly thereafter.

# Employment, Payroll, and Benefits Control Issues and Responses

- **Issue 6:** Turnover in the management of the payroll function over the past few years has resulted in a loss of payroll tax experience within the payroll department.
- **Response:** Beginning in July 2019, human resources management has engaged an accounting and consulting firm to provide payroll tax advisory services.

# Employment, Payroll, and Benefits Control Issues and Responses

- **Issue 7:** The current operating environment relies upon personnel within each of the colleges to notify payroll when a course or section is canceled. As a result, sometimes payroll is not notified timely, increasing the risk that instructors may be paid in error.
- **Response:** Human resources will develop a Banner report showing course or section cancellations, including the instructor, for comparison to a list of employees assigned positions associated with adjunct, overload, summer, or stipend payments.

# Other Audit and Advisory Activities

- Audit of Food Services Agreement and Revenue
  - Fieldwork nearly complete
  - Report will be included in the next Internal Audit update in March
- Update of internal control documents for state auditors
- Data analysis of student net cost of attendance, scholarships, and discounts to support management decision-making
- Facilitate University Risk Management committee activities
- Monitoring and advising on IT security initiatives

# Audit Recommendation Matrices

- Rating definitions
  - Low – Minor issue; characterized by insignificant financial impact or minimal impact on ability to meet goals and objectives
  - Moderate – Medium-priority internal control or risk management issue; characterized by modest financial losses, reputation damage, or delayed achievement of goals and objectives
  - High – Significant internal control or risk management issue; characterized by high susceptibility to fraud or misappropriation, material financial impact, considerable damage to reputation, or inability to achieve goals and objectives

# Audit Recommendation Matrices

- 2013 and 2014 Recommendations
  - The one remaining item from each year has been completed
- 2017 Recommendations
  - Only two moderate priority items remaining
- 2018 Recommendations
  - Two moderate and one low priority item remaining
- 2019 Recommendations
  - 11 recommendations issued
  - 5 recommendations completed or in progress
  - 3 moderate and 3 low risk items remaining

# 2019 Internal Audit Plan

QUARTER BEGINNING	AUDIT AREA	DESCRIPTION	HOURS
January 2019	OMB Uniform Guidance	Assess University procurement processes for compliance with federal procurement standards	150
	Internal Control Documents for financial statement audit	Documentation of accounting and financial reporting controls for state auditors	100
	Auxiliary Enterprises	Physical inventory observations (New Harmony Museum Shop and Campus Store)	45
April 2019	Human Resources	Review controls over payroll and employee benefit elections and withholdings	285
	University Risk Management Committee	Facilitation of University Risk Management Committee Activities	60
	Athletics Recruiting	NCAA Division II compliance review	250
	Food Services	Review food services agreement and revenue	120
	Facility Operations Storeroom	Physical inventory observation	50
July 2019	Public Safety	Clery Act reporting compliance	200
	Federal Student Financial Aid	Grants and scholarships	250
	IT Security Initiatives	Monitoring progress on security findings from prior IT security and privacy audits & coordinating follow-up to past external audit reviews	220
October 2019	External Audit Support	Support for external auditors performing federal financial aid audit and state aid agreed upon procedures	120
	Tax-Exempt Bonds Payable	Review for compliance with private business use restrictions	220
	Travel Expense Reporting	Review Chrome River travel expense routing, approval processing, and reporting system	220
	Title IX	Review policies and procedures for compliance with revised regulations	150

Items in blue are substantially complete

<b>Total Hours</b>	<b>2,440</b>
Hours Available	2,467
Hours available for unscheduled audits	27