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March 29, 2019

Mr. Frank Sanchez
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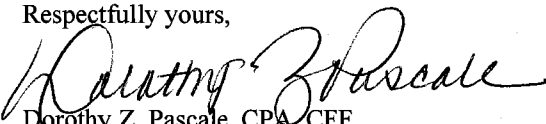
Dear President Sanchez:

The Office of Internal Audit has completed its audit of the internal payroll at Rhode Island College. The audit was conducted in conformance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing and by the authority given to the unit as stated in accordance with Rhode Island General Laws (RIGL) § 35-7.1-2(a) – Establishment of office of internal audit. The recommendations included herein have been discussed with members of management, and we considered their comments in the preparation of this report.

RIGL § 35-7.1-10(d), entitled Annual and interim reports, states that, “Within twenty (20) calendar days following the date of the issuance of the management-response copy of the draft audit report, the head of the department, agency, public body, or private entity audited shall respond, in writing, to each recommendation made in the audit report.” Accordingly, management submitted its response to the audit findings and recommendations on March 25, 2019, and such response is included in this report. Pursuant to this statute, the Office may follow up regarding recommendations included in this report within one year following the date of issuance.

We would like to express our sincere appreciation to the staff for the cooperation and courtesy extended to the members of our team during this audit.

Respectfully yours,


Dorothy Z. Pascale, CPA, CFF
Chief

c- Jonathan Womer, Director, Office of Management and Budget
Michael DiBiase, Director, Department of Administration
Honorable William J. Conley, Jr., Chairperson, Senate Committee on Finance
Honorable Marvin Abney, Chairperson, House Finance Committee
Honorable Stephen Whitney, Senate Fiscal Advisor
Honorable David M. Tremblay, Deputy Senate Fiscal Advisor
Jonathan Womer, Director, Office of Management and Budget
Internal Audit Advisory Group
Stephen Nedder, Controller
Melissa Souza, Assistant Controller
Brenda Dann-Messier, Commissioner of Postsecondary Education

Audit Executive Summary

Why the Office of Internal Audit Did This Review

The Office of Internal Audit (OIA) conducted an audit of the internal payroll at Rhode Island College for fiscal year 2018. The purpose of the engagement was to determine if internal payroll operations are being administered efficiently and effectively in accordance with requirements, statutes, policies, and procedures.

Background Information

Rhode Island College (RIC) is a public higher education institution anchored in liberal arts. The campus is located in Providence, Rhode Island. The college employs over a thousand staff and faculty.

The College's full-time employees are paid through the State's central payroll department, and payments made to part-time employees, adjunct faculty, and students are processed through the College's own internal payroll.

To Strengthen Controls, Rhode Island College should

- Incorporate internal payroll employees in annual affirmative action plan
- Advertise positions paid through internal payroll
- Require all employees to attend online harassment training
- Require background checks on all internal payroll new hires
- Increase control over employment forms
- Ensure employees do not exceed part-time annual hour requirement
- Comply with College Policy for Student Hours
- Ensure all approvals are obtained prior to employee's start of employment
- Ensure disbursement include all required approvals
- Increase control over timesheets
- Execute and adhere to terms of employment contract

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Introduction

Rhode Island College (RIC) is a public higher education institution anchored in liberal arts. The college employs over a thousand staff and faculty at its campus located in Providence, Rhode Island.

The Office of Internal Audit (OIA) conducted an audit of RIC's internal payroll. While the college's full-time employees are all paid through the State's central payroll department, payments made to part-time employees, adjunct faculty, department chairs, and students are all processed through the College's own internal payroll. The pay groups applicable to the internal payrolls include the following:

- 1.) Student payroll
- 2.) Instructional payroll, also referred to as "overload" payroll for faculty and adjunct staff
- 3.) Chair payroll¹
- 4.) College monthly payroll, also referred to as the "special" payroll²

As a State agency, the College is under the purview of the State rules and regulations in addition to its own internal policies and procedures.

Recommendations and Management's Responses

Incorporate Internal Payroll Employees in Annual Affirmative Action Plan

According to the U.S. Department of Labor Office of Federal Contract Compliance Program (OFCCP), temporary and part-time employees should be included in an Affirmative Action Plan.³ They should also be included in the hiring, promotion, and termination activities; as well as in the compensation database if they are working on the snapshot date.

Rhode Island General Law (RIGL) § 28-5.1-1 states:

(a)(1) Equal opportunity and affirmative action toward its achievement is the policy of all units of Rhode Island state government, including all public and quasi-public agencies, commissions, boards and authorities, and in the classified, unclassified, and non-classified services of state employment. This policy applies in all areas where the state dollar is spent, in employment, public service, grants and financial assistance, and in state licensing and regulation....(3) Each department head shall make a report to the governor and the general assembly not later than September 30 of each year on the statistical results of the implementation of this chapter and to the state equal opportunity office; provided, that the mandatory provisions of this section do not apply to the legislative branch of state government.

Although RIC management submitted its annual affirmative action plan, it does not include employees paid through its internal payroll within the data reported in this action plan. By not including these

¹ Chairs of each department are paid a stipend payment two times per semester.

² Any part-time employment that is neither student nor instructional. This may include interpreters, coaches, administrative employees, etc.

³ Refer to CFR 60-2.1(d)

employees in its annual affirmative action plan, the college is misrepresenting its employment demographics.

Recommendation:

- 1.) Work with the State Office of Diversity, Equity & Opportunity to incorporate internal payroll employees in the annual affirmative action plan reported statistics.

Management's Response:

The controlling federal regulations defines an "employer" subject to affirmative action requirements but they do not define "employees" for affirmative action purposes leaving that as a question of state law. Under Rhode Island law, R.I.G.L. § 28- 5.1-1, employees for affirmative action purposes are those employees in the "classified, unclassified and non-classified services of state employment." The College's internal employees, including Adjuncts, Students and other short-term temporary employees are not members of the different services of state employment and are not, therefore, counted for affirmative action purposes.

The Office of Community, Equity and Diversity (CED) will work with a committee made up of Human Resource staff and CED staff to review, develop and comply with OIA recommendations in the effort to provide accurate workforce data to be included and reported in the 2019-2020 Affirmative Action Plan.

Responsible Party: Peggy Lynch, Coordinator & Affirmative Action Officer; Maggie Sullivan, Director of Human Resources.

Anticipated Completion Date: Complete and submit the RIC 2019-2020 Affirmative Action Plan as required on the date identified by the Department of Administration, Office of Diversity, Equity and Opportunity, State Equal Opportunity Office.

Advertise Positions Paid Through Internal Payroll

The Rhode Island Board of Education Personnel Policy Manual states that it is the policy to make vacancy notices available to attract as wide a spectrum of candidates as possible. Best practices for recruiting and attracting the most qualified candidates promote the advertising of job positions. There are numerous benefits of posting a job including:

- Widens the pool of job applicants, thereby potentially increasing the likelihood of finding the ideal fit
- Shows a commitment to fair hiring practices
- Gives internal employees the opportunity to express interest
- Creates environment of providing opportunity to employees and may therefore assist in employee retention
- Can reduce the chance of favoritism claims

Rhode Island General Law § 28-5.1-1 Equal Opportunity and Affirmative Action (a)(1) states that

Equal opportunity and affirmative action toward its achievement is the policy of all units of Rhode Island state government, including all public and quasi-public agencies, commissions, boards and authorities, and in the classified, unclassified, and non-classified services of state employment.

Not advertising for positions and employing recruitment efforts may negate the effort toward adherence to the Equal Opportunity and Affirmative Action laws.

RIC does not post or advertise positions paid through its internal payroll, except for student employment opportunities. The College cannot ensure it is recruiting to attract the most qualified candidate(s) for positions paid through its internal payroll.

Recommendation:

- 2.) Establish and adhere to a policy to advertise for positions paid through internal payroll.

Management's Response:

The College's internal employees, including Adjuncts, Students and other short-term temporary employees are not members of the different services of state employment and are not, therefore, included in the College's affirmative action plan.

Due to the nature of these positions being temporary, short-term, or emergent in nature with a required specialized skill set, advertising for these positions is not cost effective, unsustainable and detrimental to efficient College operations. For sponsored project positions, full-time faculty are named in proposals because of their expertise.

Hiring of part-time faculty is governed by the applicable Collective Bargaining Agreement, RIC/AFT Adjunct Faculty Union, Local 1536. Part-time faculty who have taught satisfactorily shall have the expectation of being assigned courses in subsequent semesters according to availability, qualifications and time in service. Part-time faculty are assigned courses based on the applicable Collective Bargaining Agreement.

Responsible Party: Maggie Sullivan, Director of Human Resources

Anticipated Completion Date: n/a

Require all Employees to Attend Online Harassment Training

The RI Board of Education and its insurance carrier established an agreement that the three state higher education institutions require all employees (full and part-time) to participate in an online harassment training program. Further, RIGL § 28-51 Sexual Harassment, Education and Training in the Workplace, section 28-51-2 (2)(c) *Adoption of workplace policy and statement* states that

Employers are encouraged to conduct an education and training program for new employees and members, within one year of commencement of employment or membership, which includes at a minimum the information set forth in this section.

Management does not have a policy in place that requires its part-time and adjunct faculty employees to take part in a sexual harassment training. Without a policy in place and not ensuring employees attend the required online harassment training, RIC is failing to comply with the RI Board of Education's established agreement.

Recommendation:

- 3.) Require all employees to attend online harassment training in compliance with the RI Board of Education's agreement.

Management's Response:

Rhode Island College has not been presented with the cited agreement and questions whether it is still in effect. However, the College acknowledges the significance of harassment training and, therefore, the Office of Human Resources notified all employees on 1/7/19, including internal payroll employees under the purview of HR, to participate in a mandatory on-line harassment prevention training. Current employees' refusal to participate in the training could result in them not being indemnified by the College and the Office of the Postsecondary Commissioner.

Responsible Party: Maggie Sullivan, Director of Human Resources

Anticipated Completion Date: Completed

Conduct Background Checks on all Internal Payroll New Hires

RIC does not require a background check for new employees hired through its internal payroll. Hiring new employees is a critical function of business operations that employers must make with limited information. In accordance with best practices, checking criminal history should be a part of this process. The State of Rhode Island Personnel Rules require Human Resources to request a criminal record check when an offer of employment is extended for hire. Convictions listed either on the employment application or criminal record are verified with the prospective employee. Convictions deemed pertinent to the position sought by the applicant may be grounds for refusal to hire.

Management does not have a policy in place requiring the completion of a background check from new employees hired through its internal payroll. Without this check in place, the college opens itself up to unnecessary safety and security risks.

Recommendation:

- 4.) Require background checks for all hires through the internal payroll and maintain supporting documentation in employee files.

Management's Response:

Rhode Island College currently conducts background checks for internal employees who work with K-12 students and in other instances as required by state law. The College will explore expanding

background checks to those internal employees not on the State payroll and the related financial impact.

Responsible Party: Stephen Nedder, Interim Vice President for Administration and Finance, Maggie Sullivan, Director of Human Resources

Anticipated Completion Date: Hiring for academic year 2020-2021

Increase Control over Employment Forms

RIC's process for hiring part-time employees through the instructional and college monthly payrolls includes the completion and collection of paper employment forms including:

- I-9
- W-4 (federal, state)
- Drug-free workplace statement
- Affirmative Action file
- Bar of Claims CS-386
- Confidential Personal Data Form
- Affirmative Action Policy and Procedure Acknowledgment

These forms are required to be submitted to the Office of Human Resources prior to the employees' start date.

In the sample of 65 individuals paid through the college's monthly and instructional internal payrolls, the following chart details the forms not on file:

Missing Documentation		
Form	Employee Type	
	Special Monthly	Adjunct
I-9	0	1
W-4	1	0
Drug-free workplace	3	2
Affirmative Action file	9	13
Bar of Claims	3	2
Confidential Personal Data Form	4	8
Affirmative Action Policy & Procedure Acknowledgment	5	6
Total Missing Forms	25	32
Sample Size	40	25
Total Forms Required for Sample	280	175
% Missing	9%	18%

The collection of paper forms is a process subject to human error. Failure to complete and retain all required employment forms could expose the college to unnecessary risk.

Recommendations:

- 5.) Consider scanning all employment forms and storing electronic files for each employee.
- 6.) Perform self-audits on a scheduled basis to ensure all forms are on file.

Management's Response:

Files for Monthly Payroll (MP) hires, Adjunct hires and biweekly payroll hires are each hired through a separate process with separate files resulting that are maintained separately. The majority of the missing documents in the sample size above can be attributed to the fact that documents are not duplicated for each hire. For example, if an employee is an active MP and is subsequently hired as an Adjunct, the hiring forms are not duplicated in the new Adjunct file. HR is currently reviewing the process and will make appropriate changes. A customized on-line hiring process in PeopleSoft is on the College's MIS project list. An on-line process would provide better control of hiring forms. Financial impact and staffing are concerns.

HR began requiring the Affirmative Action Form be completed by all new MP and Adjunct hires beginning in 2014. Employees in the sample were all hired prior to 2014 with the exception of one. HR also found one adjunct file that was recorded as missing as a result of a name change.

Adjusting for the above documents HR found, the percentage of missing documents reflected in auditor's chart would be significantly reduced to 6% and 9% respectively.

Responsible Party: Stephen Nedder, Interim Vice President for Administration and Finance, Maggie Sullivan, Director of Human Resources

Anticipated Completion Date: Current process is on-going; a feasibility study of a customized on-line hiring system will need to be conducted. It is anticipated that the feasibility study will be completed by the end of the 2019 calendar year.

Ensure Employees do not Exceed Part-Time Annual Hour Requirement

Individuals hired via RIC's internal payroll may not exceed 925 hours per year imposed under Budget Article 1. Budget Article 1 states:

Departments and agencies listed below may not exceed the number of full-time equivalent (FTE) positions shown below in any pay period. Full-time equivalent positions do not include seasonal or intermittent positions whose scheduled period of employment does not exceed twenty-six consecutive weeks or whose scheduled hours do not exceed nine hundred and twenty-five (925) hours, excluding overtime, in a one-year period.

Four of the 40 employees (10%) sampled from the special monthly payroll exceeded the 925-hour requirement. There is no system control in place to prevent an employee from exceeding the stipulated part-time requirement. Further, management is not providing adequate oversight to prevent an employee from exceeding the annual hour requirement.

Without a control in place, employees could exceed the part-time employee hour requirement and be unaccounted for in the reported FTE count.

Recommendation:

- 7.) Ensure there is a procedure in place to verify employees are not exceeding the 925-hour requirement.
- 8.) Include the employees that exceed 925 hours in the FTE count.

Management's Response:

Management will strengthen controls to ensure that part-time employees do not exceed the 925-hour requirement.

The Interim Vice President for Administration and Finance and the Assistant Vice President /Chief Information Officer will review the current processes to determine the viability of implementing an exception report.

Responsible Party: Stephen Nedder, Interim Vice President for Administration and Finance, Jon Bartelson, Assistant Vice President/Chief Information Officer

Anticipated Completion Date: December 31, 2019

Comply with College Policy for Student Hours

RIC's policy states that student employees may work up to a maximum of twenty (20) hours per week during the academic year. The student employment handbook states that part-time availability allows students to balance work and study. The respective supervisor approves the student employee hours on a Student Employment Authorization Form.

Student employees exceeded the maximum authorized work hours. In a sample of 25 students, two students (8%) worked more than 20 hours. Approval of student time cards by supervisors is an internal control that is not operating effectively if supervisors do not ensure compliance with the college policy.

A limit on the number of hours students work is put in place in part to ensure students have adequate time to dedicate to their education. Allowing students to exceed the maximum work hours sets the precedent that the requirement is irrelevant.

Recommendation:

- 9.) Comply with college requirement to allow only the maximum number of hours for students to work.

Management's Response:

Rhode Island College will work on improving the tracking of students with multiple jobs. A proposed solution is to add a notification indicating a student is employed in another department to the on-line time reporting system.

Responsible Party: Melissa Souza, Interim Controller

Anticipated Completion Date: Fall 2019

Obtain all Required Approvals Prior to an Employee's Start of Employment

Employees paid through the college monthly payroll ("special" payroll) are required by its internal policy to be approved by the requesting department, HR, and the budget office. In a sample of 40 employees, 20 did not have all the required approvals prior to the start date of employment. Allowing employees to begin work without receiving all approvals exposes the college to liability if funds are unavailable to pay the employee, or the appropriate HR verifications and forms were not provided prior to the start of employment.

Recommendation:

- 10.) Obtain all required approvals prior to the individual's start of employment.

Management's Response:

Management will strengthen controls to ensure that all required approvals are received on internal hires prior to the individuals start of employment.

In addition, a customized on-line hiring process in PeopleSoft is on the College's MIS project list. An on-line process would provide better tracking of approvals. Financial impact and staffing are concerns, and will be reviewed as part of the assessment process.

Responsible Party: Stephen Nedder, Interim Vice President for Administration and Finance; Maggie Sullivan, Director of Human Resources; Jon Bartelson, Assistant Vice President/Chief Information Officer Information Services

Anticipated Completion Date: December 31, 2019. A feasibility study of a customized on-line College Monthly payroll system will be conducted during FY 2020.

Ensure Disbursements Include all Required Approvals

RIC has a policy for the approvals required on check requests based on dollar value. Check requests must be:

- Signed by the requestor and indicate departmental approval
- Approved by the Assistant Vice President (AVP) or Dean for requests of \$500 and over
- Approved by the Vice President for requests of \$7,500 and over
- Approved by the Executive Director of Strategic Initiative for requests of \$10,000 and over

In the sample of 40 payroll transactions from the college monthly payroll file, three transactions were stipend disbursements. These three disbursements exceeded \$500 and did not include the AVP or Dean's signature. Failure to apply due diligence allowed these payments to be made without the appropriate approvals. Approvals and authorizations must be enforced to serve as an effective control over the payment process.

Recommendation:

- 11.) Ensure all approvals are received prior to payment in accordance with established policy.

Management's Response: At the time of payment, Accounting determined these transactions should not be paid through accounts payable. As such, the transactions were processed through payroll and all approvals for a payroll transaction were obtained. The College acknowledges that the original check requests were not fully executed and will continue to ensure appropriate approvals are obtained for the relevant transaction.

Responsible Party: Melissa Souza, Interim Controller

Anticipated Completion Date: August 31, 2019

Increase Control over Timesheets

In accordance with best practices for completion of timesheets, and as detailed on the timesheet template, the signature and date of the employee and his/her respective supervisor should be noted. According to RIC's employee handbook, timesheets should be submitted to the Accounting Office by the fifth of the month. Timesheets must be submitted on time for an employee to receive payment during the applicable pay period. In a sample of 40 employee payroll transactions on the college monthly payroll, the following timesheet issues were identified:

- One employee timesheet was approved in advance of the hours worked
- Five employees did not submit their timesheets timely, with one submitted a year late
- Two employee timesheets were not dated

Inadequate approval and oversight of timesheets creates the opportunity for fraud and abuse. Management oversight and approval is needed to ensure timesheets are completed accurately and timely.

Recommendation:

12.) Increase control and oversight of internal payroll timesheets.

Management's Response:

Management will strengthen controls over the paper-based timesheets to ensure timesheets are completed accurately and timely.

Additionally, the current College Monthly payroll system (for non-instructional temporary employees) is a paper-based system. A goal of the College is to have this payroll be an on-line system from entering of hours worked/payment amount through approval for payment. This goal would require a group effort on the part of functional users and MIS staff to complete an overhaul of the current setup and process. Such a project would require a consultant, additional staff and budget allocation to implement. This project would have to be done in coordination with the on-line hiring project. Management will assess the feasibility of such project and the related financial impact.

Responsible Party: Stephen Nedder, Interim Vice President for Administration and Finance, Jon Bartelson, Assistant Vice President/Chief Information Officer Information Services

Anticipated Completion Date: August 31, 2019. A feasibility of a customized on-line College Monthly payroll system will be conducted during FY 2020.

Execute and Adhere to Terms of Internal Payroll Employment Contracts

Rhode Island College utilizes Monthly Hiring Authorization forms to authorize reimbursement for specific work assignments paid through its internal payroll. These authorization forms serve as the employment contract between the College and the employee detailing the assignment, period of employment, hours per week, pay rate, and respective approvals. Best practices require that all business transactions be put in writing and a properly written contract details the rights and responsibilities of each party, associated benefits and costs, and sets up a mechanism as to how and under what circumstances the contract can be terminated.

In a sample of 40 payroll transactions from the college monthly payroll,

- two employees⁴ did not have monthly hiring authorization forms for their internal payroll earnings, and
- three employees worked more hours than stipulated on the monthly hiring authorization form.

Management did not ensure an employment contract was executed or adhered to in these identified exceptions which exposes the college to unnecessary liability.

Recommendation:

13.) Execute and adhere to employment contract terms.

⁴ The individuals were full-time RIC employees also working in a part-time capacity.

Management's Response:

The two employees identified were compensated for hours worked on additional assignments that are done in departments that are different from the departments of their primary jobs. As such, the comp time earned cannot be taken in their primary jobs, resulting in a payout of the comp time earned. Both arrangements date back to 2007 and prior when the attached PSA contract was in place. Please refer to section 9.8b, which does not require the employee to wait for 90 days to receive payment of comp time worked.

9.8 b At the discretion of the Vice President for Administration and Finance, a PSA@RIC member may receive payment for compensatory time earned, provided that there is a mutual agreement between the staff member and the Vice President for Administration and Finance.

Of the three employees that worked more hours than stipulated, Management has the following responses:

- One employee is a part-time employee for OPC. Rhode Island College, as a service to OPC, processes their internal part-time payroll. As such, the College does not oversee the work of this individual.
- One employee is being compensated via several grants. Management reviewed the selection and determined that the sample reviewed included payments for 4 grants. The total hours submitted did not exceed the total budgeted hours per the terms of the hiring forms for the grants.
- One employee did exceed the 15-19 hours per week noted in the hiring form. However, Management's review of all-time sheets noted that the individual did not work more than 19 hours, on average, per week. Management will continue to monitor timesheets to ensure compliance with hiring forms.

Responsible Party: Melissa Souza, Interim Controller

Anticipated Completion Date: Completed.

Objective and Scope

The Office of Internal Audit (OIA) conducted an audit of the internal payroll at Rhode Island College for fiscal year 2018. The purpose of the engagement was to determine if operations are being administered efficiently and effectively in accordance with requirements, statutes, policies, and procedures.

Methodology

As part of our audit work we gained an understanding of the existing controls over the recruitment, onboarding, and payments to internal payroll employees. To address our audit objective, we performed the following:

- Obtained information from key process owners
- Researched pertinent State rules and regulations
- Reviewed established College policies and procedures as applicable
- Tested for compliance with established regulations, policies, and procedures
- Sampled employee payment transactions for accuracy
- Sampled employee hires for compliance with HR policies and procedures