

State of Rhode Island and Providence Plantations  
Office of Management and Budget  
OFFICE OF INTERNAL AUDIT  
One Capitol Hill  
Providence, Rhode Island 02908-5889  
TEL #: (401) 574-8170  
[www.audits.ri.gov](http://www.audits.ri.gov)

January 5, 2017

Ms. Kathy Collins  
Vice President  
Division of Student Affairs  
University of Rhode Island  
Memorial Union Room 305  
50 Lower College Rd  
Kingston, Rhode Island 02881

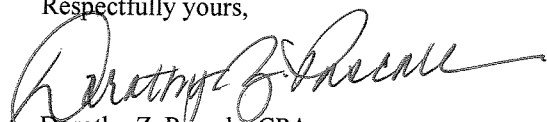
Dear Vice President Collins:

The Office of Internal Audit has completed its audit of the Department of Housing and Residential Life. The audit was conducted in conformance with Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing* and in accordance with Rhode Island General Law (RIGL) §35-7.1-1. The purpose of the engagement was to determine if the Office of Housing and Residential Life's internal processes for Graduate Housing are performed efficiently and effectively in accordance with established policies and procedures, statues and adequate controls. The recommendations included herein have been discussed with members of management, and we considered their comments in the preparation of this report.

Rhode Island General Law §35-7.1-10(d), entitled *Annual and interim reports*, states that, "(d) Within twenty (20) days following the date of issuance of the final audit report, the head of the department, agency or private entity audited shall respond in writing to each recommendation made in the final audit report." Accordingly, management submitted its response to the audit findings and recommendations on December 23, 2016, and such response is included in this report. Pursuant to this statute, the Office of Internal Audit 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 of the Department of Housing and Residential Life for the cooperation and courtesy extended to the members of our team during the course of this audit.

Respectfully yours,



Dorothy Z. Pascale, CPA  
Chief

c- Jonathan Womer, Director, Office of Management and Budget  
John Sears, Director, Department of Housing and Residential Life  
Honorable Daniel DaPonte, Chairperson, Senate Committee on Finance  
Honorable Marvin Abney, Chairman, House Finance Committee

## **Executive Summary**

### **Why the OIA Did This Review**

The purpose of the engagement was to determine if the Department of Housing and Residential Life's internal processes for Graduate Housing are being performed efficiently and effectively, in accordance with established policies and procedures, statutes and adequate controls.

### **Background Information**

The Department of Housing and Residential Life (HRL) has five main functional areas, including: Central Administrative Services, Facility Services, Residential Education and Student Conduct, Fiscal Management and Services and Graduate Housing. The Department is located within the Division of Student Affairs and oversees approximately 6,200 students residing within 21 undergraduate halls, three undergraduate apartment complexes and one graduate apartment complex.

The OIA completed its review of undergraduate operations and issued its report concurrent with this report. The purpose of this report is to discuss recommendations to improve the Graduate Housing operations.

### **To Improve Controls, the Office of Internal Audit recommends the following:**

- Centralize Billing Process within Housing and Residential Life.
- Integrate Graduate Housing assignments and billings into the undergraduate occupancy management system.
- Ensure Proper Segregation of Duties.
- Ensure Billings and Deposits are made in a Timely Fashion.
- Track Fire Safety Deficiencies and Corrective Actions.

# Contents

Introduction .....	4
Integrate All Housing and Residential Life Operations .....	4
Centralize Billings within the Housing and Residential Life Business Office .....	4
Repair Graduate Housing Facilities Timely .....	5
Develop a Formal Policy for Housing Waivers .....	6
Apply Late Fees Appropriately .....	7
Abide or Modify Policy for Student Credit Hour Maintenance.....	8
Develop and Implement Formal Policy for Consistent Billing of Affiliates .....	8
Ensure Collection of Security Deposits .....	9
Ensure Timely Deposit of Rent Payments Received.....	10
Ensure Adequate Segregation of Duties .....	11
Timely Address and Document Resolution of Fire Inspection Deficiencies.....	11
Objective and Scope.....	12
Methodology.....	13

## Introduction

The Office of Internal Audit (OIA) conducted an audit of the Department of Housing and Residential Life (HRL). The HRL oversees approximately 6,200 students residing within 21 undergraduate halls, three undergraduate apartment complexes and one graduate apartment complex. HRL has five functional areas, four of which focus on undergraduate operations, and the fifth is Graduate Housing. The OIA completed its review of undergraduate operations and issued its report concurrent with this report. This report discusses recommendations to improve the Graduate Housing operations.

Graduate Housing consists of 100 apartments that house graduate students, non-traditional undergraduate students, visiting scholars, post-doctoral fellows and families of these residents. This unit is not integrated into the undergraduate occupancy management system, student conduct system or card access system.<sup>1</sup>

### Integrate All Housing and Residential Life Operations

Integration allows an organization to streamline business processes and operations. Key benefits of operation and system integration include: improved data accessibility, better communication, improved productivity and greater efficiencies. Currently, HRL's operations are segregated between graduate and undergraduate housing. While undergraduate housing utilizes an occupancy management system, card access system and student conduct system, Graduate Housing manually conducts operations without benefit of these systems. The manual processes at Graduate Housing leads to inefficient processes and increased risk of inaccurate billings. Refer to next section for detailed discussion regarding billing issue.

#### **Recommendation:**

1. Integrate Graduate Housing administration with undergraduate operations.

#### **Management's Response:**

Management concurs that merging Graduate Village operations with the undergraduate housing operations will streamline processes and operations, and will plan to do so per OIA recommendations.

**Responsible Party:** *John Sears, Assistant Vice President - Student Affairs, Director of Housing and Residential Life*

**Anticipated Completion Date:** *December 31, 2017*

### Centralize Billings within the Housing and Residential Life Business Office

A best practice is for leasing contracts to be reviewed by management and to reconcile lease amounts to bill amounts. Two of the twenty tenants reviewed (10%) were charged incorrectly. In one instance, the

---

<sup>1</sup> The undergraduate organization and administration is detailed in our January 5, 2017, audit report.

lease amount was different than the billing amount. In the other instance, the lessee moved to a more expensive apartment without being charged the higher rate.

The centralization of billings offers several key benefits, including streamlining operations, improving managerial decision-making and offering greater accountability. However, the billings relating to Graduate Housing are not integrated into the HRL Business Office. By integrating these billings into the Business Office, there will be greater accountability that the leases reflect the correct amounts and the bills generated match the leasing agreement. Additionally, by centralizing this billings process, it will be easier to reconcile the HRL Graduate Housing billings to the revenue recorded, as recommended in the report issued concurrent with this report.

**Recommendation:**

2. Integrate Graduate Housing billings into the undergraduate occupancy management system.

**Management's Response:**

HRL will initiate the onboarding of Graduate Housing processes into its existing occupancy management system. It should be noted that currently URI's Graduate Housing billing is done on a monthly billing cycle which is beneficial to the more transient graduate student population, (vs. semesterly billing for undergraduates).

**Responsible Party:** *John Sears, Assistant Vice President - Student Affairs, Director of Housing and Residential Life*

**Anticipated Completion Date:** *December 31, 2017*

## Repair Graduate Housing Facilities Timely

In order to maximize revenue, all Graduate Housing apartments should be available for rent. During fiscal year 2016, 75 percent of the 100 graduate apartments were occupied; the remaining 25 percent were not available to rent because of maintenance issues.<sup>2</sup> The time these apartments were vacant ranged from several months up to two years. The total dollar value of foregone revenue based on a conservative estimate is approximately \$142,000.

Management failed to ensure the facilities were repaired in a timely manner. As a result, HRL lost revenue and is not adequately meeting the needs of its graduate students who are denied housing due to unavailability, as there is currently a waiting list for available graduate housing.

**Recommendation:**

3. Repair Graduate Housing facilities timely to obtain maximum occupancy.

---

<sup>2</sup> As of the beginning of test work on September 26, 2016.

**Management's Response:**

Since 2009, 46 of the apartments in Graduate Village have been renovated through a \$920,000 reinvestment program. All remaining units will be renovated in conjunction with a \$1.75 million installation of a fire suppression system between May, 2017 and August, 2018.

HRL will work with Facility Services to ensure reduced turnaround time for repairs to minimize negative impact to occupancy while being fiscally responsible.

**Responsible Party:** *John Sears, Assistant Vice President - Student Affairs, Director of Housing and Residential Life*

**Anticipated Completion Date:** August 31, 2018

### Develop a Formal Policy for Housing Waivers

Any criteria which affect student billings or University revenues should be documented in a formal written policy to ensure consistent application. The HRL unofficial policy is for all resident assistants, resident academic advisors, hall directors and graduate hall directors to receive a housing waiver or free housing. HRL management uses its own discretion when determining which positions would receive the required free housing. There is no official policy that details when housing waivers should be utilized.

HRL Graduate Housing has three employees, two graduate assistants and one full-time staff, receiving a housing waiver or free housing. These positions include: a Site Manager, Assistant Site Manager and Hall Director. Currently, these three individuals are overseeing approximately 75 habitable apartments. Based on the OIA's review of the position descriptions, the Assistant Site Manager serves as a backup to the Site Manager, with no stand-alone job responsibilities. These positions provide 24-hour, on-call coverage; however, it appears unnecessary to have three 24-hour, on-call staff to oversee 75 apartments. It is part of the full-time Hall Director's job description to serve as live-in staff on-call 24 hours, and, therefore, the need for the additional 24-hour, on-call staff is not warranted.

Management has included a waiver of apartment rent as part of the compensation for Site Manager and Assistant Site Manager and stipulated these positions provide 24-hour, on-call coverage. As a result, apartments are being occupied for free which could generate revenue and be open to student assignment if HRL amends this practice.

**Recommendations:**

4. Develop a formal policy for housing waivers.
5. Revise the job position descriptions for Site Managers to align with established policy.
6. Evaluate and determine the need of overseeing the current Graduate Housing apartment capacity.

**Management's Response:**

HRL will develop a policy to establish criteria for housing waivers. HRL will review and revise position descriptions to align with established policy. HRL will also re-evaluate staffing levels to meet the unique needs of Graduate and Family Housing residents.

**Responsible Party:** *John Sears, Assistant Vice President - Student Affairs, Director of Housing and Residential Life*

**Anticipated Completion Date:** *July 1, 2017*

### Apply Late Fees Appropriately

According to the Graduate Apartment Housing Agreement signed by all tenants, rent:

*[M]ust be paid by 2pm on the fifteenth (15<sup>th</sup>) of that month. A late payment will generate an automatic ten dollar (\$10.00) late charge which will be added to the subsequent month's rent.*

However, in 2009, management informally decided not to charge late fees until Graduate Housing was moved to a semester billing system. This decision remains in effect today. As a result, eight of the forty payments tested (20%) in fiscal year 2016 should have been considered delinquent but were not assessed late fees.<sup>3</sup> Without assessing a late fee, Graduate Housing has limited ability to force students to pay timely, which may result in the potential of lease default.

**Recommendation:**

7. Apply and collect late fees in accordance with the Graduate Apartment Housing Agreement terms.

**Management's Response:**

In light of the complexities associated with implementing the manual billing processes, HRL discontinued assessing late fees. However, when Graduate Housing is integrated into HRL's occupancy management system, the option to charge a late fee will be explored and HRL will update its Housing Agreement accordingly.

**Responsible Party:** *John Sears, Assistant Vice President - Student Affairs, Director of Housing and Residential Life*

**Anticipated Completion Date:** *December 31, 2017*

---

<sup>3</sup> Four of the eight delinquent payments were attributable to two students being late in two months tested.

## Abide or Modify Policy for Student Credit Hour Maintenance

According to the Graduate and Family Housing Policy Handbook, to qualify for graduate housing:

*All leaseholders must be registered for 9 graduate credits each semester, or be registered for 6 graduate credits with a graduate assistantship.*

There are approximately 155 students in this complex. The OIA conducted a sample of 20 students, and three (15%) did not meet the credit hour requirement for housing. As a result, students who are not full time are occupying graduate apartments and preventing students from obtaining housing who do meet the requirements.

### **Recommendation:**

8. Abide by or modify the policy for student credit hour maintenance requirements for housing.

### **Management's Response:**

HRL will revise the current Housing Agreement policy for addressing residents who fall below the credit minimum to more accurately reflect current practice. Occasionally graduate students will drop below the credit minimum based on satisfactory progress toward their degree (e.g. dissertation credit while writing). A new policy will be written that includes an exception review process where the credit minimum may be waived to afford students the ability to successfully complete their advanced degree in a timely fashion. .

**Responsible Party:** *John Sears, Assistant Vice President - Student Affairs, Director of Housing and Residential Life*

**Anticipated Completion Date:** *July 1, 2017*

## Develop and Implement Formal Policy for Consistent Billing of Affiliates

HRL rents rooms to affiliate students during the summer season who need a place to live on campus for classes, research or other academic needs. The Graduate Housing staff process the billings for these students, as the affiliate students are not integrated into the undergraduate occupancy management system. The entire population of summer 2016 affiliate tenants was tested. Two of the ten affiliate students had not yet paid for their summer housing as of the completion of field work.<sup>4</sup> The amount due from these students is \$2,724 total.

There is no policy or procedure in place for determining when these students should be billed or how to handle collection for students who do not pay. HRL represented the existence of an informal policy to bill students within one week of arrival on campus; however, we find the billing process to be haphazard. For example, eight of the ten affiliate tenants (80%) were not billed within one week of arrival on campus.

---

<sup>4</sup>October 28, 2016



Without a formal policy in place to dictate the billing process for affiliate students, it is left to the discretion of Graduate Housing staff. If these affiliate students are not billed timely, there is an increased risk that HRL will not receive payment.

**Recommendations:**

9. Develop a formal policy for guaranteed collection of affiliates' rent, which should include receipt of rent in advance.
10. Pursue collection of unpaid rent.

**Management's Response:**

HRL will create a policy that outlines payment processes and evaluate upfront collection of rent payments for affiliates. HRL will also explore existing collection functions available within the University. Following best practices and procedures, HRL will review and create a process for better integration of summer housing.

**Responsible Party:** *John Sears, Assistant Vice President - Student Affairs, Director of Housing and Residential Life*

**Anticipated Completion Date:** *July 1, 2017*

## Ensure Collection of Security Deposits

It is a standard real estate best practice to collect a security deposit at the execution of a rental agreement to mitigate tenant-caused damage to the property. The HRL Graduate Housing security deposit requirements are as follows:

*The security deposit is one month's rent made out to URI. It is deposited into an escrow account until the student moves out. When all inspections are completed after move out, the staff determines if there are any charges for outstanding rent, final electric bills, excessive cleaning, damages, etc. Then, the security deposit is returned after subtracting funds for any charges that were imposed.*

The OIA identified two instances, in the same sample above of 20 students (10%), in which the security deposit was waived. According to management, there is an informal policy to waive security deposits for students experiencing financial hardship, a housing emergency or a sponsored group whose sponsor may not provide the funds for the security deposit.

Information regarding the security deposit is not formalized in a policy for HRL staff. A formalized policy should identify instances in which the security deposit could be waived by management and require management approval for such a waiver. The policy for waiving security deposits could be unfair across students if it is not clearly defined or applied in a consistent manner.

**Recommendations:**

11. Develop, document and enforce a formal policy for security deposits.
12. Ensure collection of all security deposits.

**Management's Response:**

HRL will develop a policy to collect security deposits for Graduate Village apartments. HRL will create a policy that specifically outlines areas in which an exception of the collection of a security deposit may be granted. HRL will enhance the process by which security deposits are collected.

**Responsible Party:** *John Sears, Assistant Vice President - Student Affairs, Director of Housing and Residential Life*

**Anticipated Completion Date:** July 1, 2017

## Ensure Timely Deposit of Rent Payments Received

The URI Office of Controller cash handling policy states:

*Departments deposit all collections with Enrollment Services- Cashier Office within three business days, and more frequently as activity warrants. Departments are not to send cash or checks through campus mail. Money should be deposited promptly and intact to the Enrollment Service- Cashier Office. Any corrections made to the deposit slip should be initialed by the department.*

According to Graduate Housing management, it is their informal policy to bring the rent and security deposits to Enrollment Services within one business day of receipt.

Seven of the twenty tenant security deposits reviewed were not deposited within one business day of collection in accordance with the Graduate Housing informal policy or within three business days in accordance with the URI Office of Controller Cash Handling Policy (35% error rate). Further, six of the security deposits were not time stamped by the Bursars Office, and none of the rent deposits were time stamped.<sup>5</sup> The workflow process should stress timely authorizations, as well as timely processing of transactions following approvals. Without timely enforcement of this internal control, there is increased risk of employee error or fraud.

**Recommendations:**

13. Ensure, at a minimum, adherence to the URI Office of Controller Cash Handling Policy.
14. Establish a formal policy for the timely deposit of both rent and security deposits.

---

<sup>5</sup> Since none of the rent deposits had the date from the Bursar's office, it was impossible for the OIA to determine if the receipt was deposited within one business day in accordance with Graduate Housing's informal policy, or even within three business days as required by URI Office of Controller Cash Handling Policy.

**Management’s Response:**

HRL will abide by the URI Controller’s Cash Handling Policy, and will develop a department-specific policy with regard to timely deposits.

**Responsible Party:** *John Sears, Assistant Vice President - Student Affairs, Director of Housing and Residential Life*

**Anticipated Completion Date:** July 1, 2017

### Ensure Adequate Segregation of Duties

Segregation of duties is a primary principle in any internal control plan. The principle of the concept is based on shared responsibilities of a key process that disperses responsibility for task completion and approval of work performed to more than one employee. The URI Office of the Controller Cash Handling Policy states that the following duties should be distributed among personnel so one person is not responsible for all aspects:

- Opening mail
- Endorsing checks
- Preparing deposits
- Reconciling to budget statements
- Billing and collection duties

One Graduate Housing employee is responsible for calculating the utilities and billings, collecting the checks, preparing the deposit slips and determining the accounts in arrears. The Graduate Housing billings system is separate from the undergraduate system and is manually maintained. Only one employee has access to the files, which is not an adequate segregation of duties. Without sufficient segregation of duties, there is an increased risk of misappropriation of funds, fraud or error.

**Recommendation:**

15. Realign duties amongst staff to separate responsibility of billings, collection of checks and preparation of deposit slip.

**Management’s Response:**

HRL will re-distribute Graduate Housing billing, check collection and the preparation of deposit slips amongst existing departmental fiscal staff, as needed, to assure adherence to university policy and best practices.

**Responsible Party:** *John Sears, Assistant Vice President - Student Affairs, Director of Housing and Residential Life*

**Anticipated Completion Date:** July 1, 2017

## Timely Address and Document Resolution of Fire Inspection Deficiencies

According to the Graduate and Family Housing Policy Handbook:

*Site Managers are required to inspect apartments on a quarterly basis to ensure that all fire safety equipment is functioning properly.*

Although quarterly fire inspections were conducted for all graduate apartments, the quarterly reports reviewed from fiscal year 2016 did not indicate corrective actions for the noted deficiencies. The process for tracking and reporting fire inspections and related corrective actions is manual and paper-driven. The violations are not tracked electronically, and there is no indication that pertinent corrective action occurred. Without sufficient documentation, there is an increased potential that necessary corrective action could go unaddressed.

### **Recommendation:**

16. Address and electronically document corrective action and resolution of quarterly fire inspection deficiencies timely.

### **Management's Response:**

HRL will utilize an electronic fire safety inspection system that will allow for the recording and tracking of graduate fire safety inspections and violations. HRL will also implement a process flow to document timely follow-up and corrective action. HRL will also collaborate with Public Safety and Facility Services to assure timely remediation of deficiencies.

**Responsible Party:** *John Sears, Assistant Vice President - Student Affairs, Director of Housing and Residential Life*

**Anticipated Completion Date:** July 1, 2017

## Objective and Scope

The Office of Internal Audit (OIA) conducted an audit of the Department of Housing and Residential Life's internal processes for Graduate Housing during fiscal year 2016. The purpose of the engagement was to determine if internal processes are being performed efficiently and effectively, in accordance with established policies and procedures, statutes, and with adequate controls.

## Methodology

As part of our audit work, we gained an understanding of the HRL Graduate Housing functions and associated risks. To address our audit objective, we performed the following:

- Interviewed personnel, including management and staff.
- Reviewed established department and University policies and procedures as applicable.
- Flow charted current payment, collection and deposit processes.
- Tested for compliance with established policies and procedures.
- Sampled student housing billings for accuracy.