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January 5, 2017

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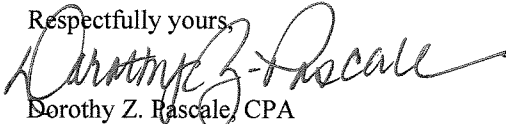
Dear Vice President Collins:

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 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 20, 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. Rascale, 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 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.

There are a variety of room types and rates across the residence halls. HRL handles the room assignments for students, cleanliness of the residence halls, training and oversight of resident advisors and resident academic mentors, student conduct and numerous other administrative functions. The tracking of room assignments is handled through an occupancy management system for undergraduate students; access security of residence halls is through a card access system; and the department utilizes a student conduct system to track a number of oversight functions.

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

- Monitor and appropriately assign system access.
- Ensure fire, health and safety inspections are conducted and documented, including corrective actions taken.
- Establish standard operating policies and procedures to address auxiliary responsibilities, free housing/housing waivers, student withdrawals, room change charges and triple-room discounts.
- Adhere to the policies and procedures that are established.
- Reconcile revenue between Department of Housing and Residential Life's and the University of Rhode Island's records.
- Appropriately reflect actual student billings in the occupancy management system.
- Ensure housing rates appropriately reflect rates approved in budget allocation.

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Introduction

The Department of Housing and Residential Life (HRL) is part of the Division of Student Affairs at the University of Rhode Island (URI). The Department of HRL's mission is to provide access to quality and affordable campus housing which supports the educational and developmental needs of the students, as well as the academic goals of the University. Further, they strive to deliver safe, clean and well-maintained accommodations and communities that maintain a healthy balance of personal rights and responsibilities, promote respect for diversity and human dignity and instill pride in the URI.

The Department of HRL, located within the Division of Student Affairs, oversees approximately 6,200 graduate and undergraduate students residing within 21 undergraduate halls, three undergraduate apartment complexes and one graduate apartment complex. HRL has five main functional areas:

- Central Administrative Services is responsible for all room assignments and changes which are tracked and managed through the occupancy management system. Additionally, this unit administers the Customer Service Center, fielding a wide range of student and parent questions and concerns regarding housing and residence life.
- HRL Facility Services oversees the cleanliness of the residential halls and complexes. The maintenance of the residence halls is handled by URI Facility Services; however, HRL funds 21.5 full-time equivalent positions for housekeeping-/maintenance-related duties. A work order system is used to report and track building maintenance requests.
- Residential Education and Student Conduct manages the hiring, oversight and training of all Hall Directors (HDs), student Resident Advisors (RAs), and student Resident Academic Mentors (RAMs). Student violations of University policies that occur within the residence halls are coordinated and handled by the Student Conduct Officer. Student conduct is tracked in the community standards software.
- HRL's Business Office oversees all of the HRL office administrative functions.
- 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.¹

¹The OIA issued a separate audit report to address issues identified related to Graduate Housing operations, since the operations are separate and apart from the systems utilized at undergraduate housing.

Create a Cohesive Management Structure by Strengthening the Department Control Environment

The control environment establishes and promotes a collective approach toward achieving effective internal control. The key components to analyze the sufficiency of a control environment include attitude, supervision and structure. Management philosophy and operating style include attitudes and actions towards adhering to the policies and procedures of an organization. Departments with a strong control environment hire qualified individuals, make a conscious effort to retain skilled employees, treat staff equitably and clearly communicate responsibilities and duties.

During the course of the audit, we observed overrides of internal controls and a disregard for certain University policies and procedures. The OIA received numerous complaints through the fraud hotline regarding management's alleged circumvention of controls and inequitable treatment of staff prior to the start of the audit and throughout the audit. The complaints that could be corroborated along with additional internal control weaknesses identified during our audit are detailed in this report.

HRL management should actively design and support the system of internal controls and operational processes to strengthen the control environment. Managers should develop an organizational structure that clearly defines supervisory responsibilities, chains of command and expectations by:

- Establishing appropriate lines of reporting.
- Adhering to policies and procedures.
- Evaluating staff performance on a routine basis.
- Ensuring accountability.
- Increasing staff communications.

HRL management should work to create a cohesive, collaborative and open work environment where concerns and comments are welcomed and valued. In doing so, a positive control environment will result.

Recommendations for Improved Controls and Management Responses

Systems Controls

HRL utilizes several key systems for its daily operating functions, and each system allows for various levels of access privileges. The systems in use are:

- Occupancy management system
- Community standards software
- Identification card access software

Appropriately Assign and Review Access Privileges

The principle of least privilege is an important concept to computer security and is a strong control over data content. The concept promotes minimal user access set as a profile privilege as defined by

the user's job duties. We found the access privileges are not assigned appropriately within the community standards or card access systems. Our testing identified:

- ✓ Community Standards Software: 45 of the 282 (16%) active users had administrative access which appears contrary to the principle of least privilege. Further, 12 of the 45 should have no longer had access to the system.
- ✓ Card Access System: 25 of the 55 (45%) active users were assigned administrative access. The results of review of these 25 users is detailed as follows:
 - Seven were students for which administrative access does not appear necessary.
 - Five changed job duties or left the University, and access should have been removed.
 - Three were general accounts.
 - Ten appeared as a reasonable assignment of administrative access.

HRL Management is not employing a least-privilege approach. Without following a least-privilege methodology, users may have access to information unnecessary to the performance of their daily job responsibilities. This creates a weak control environment and increases the likelihood of data vulnerabilities and weaknesses.

Recommendation:

1. Review employee access levels and restrict system access to a level necessary for an employee to fulfill his/her job responsibilities.

Management's Response:

HRL will develop policies and procedures that will employ a least privilege philosophy for all department applications. HRL policy will include periodic reviews for compliance to policy and identify appropriate access levels based on staff responsibilities.

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

Anticipated Completion Date: *July 1, 2017*

Review and Update System Access Timely

Best practice requires a timely review and update of system access listings to ensure only authorized personnel with a business need are assigned access. The review of system access listings for the occupancy management system, community standards software and card access system showed access was not timely updated for position changes or University employment departures.

Audit testing found:

- ✓ Card Access System: 5 of the 25 users (20%) with administrative access should have had access removed.
- ✓ Community Standards Software: 12 of the 45 users (27%) with administrative access no longer required access to the system.

- ✓ Occupancy management system: 362 RAs were listed, yet there are approximately 160 RAs. Additionally, 57 Hall Directors are listed, although there were only 9 employed Hall Directors at the time of this report.

There is no policy or procedure that requires system access be timely reviewed and updated to reflect current user needs and status. Without procedures in place to review and update access, there is the potential for individuals without a proper business need to access the systems. Further, there are increased security concerns for building access and ability to review confidential student data.

Recommendations:

2. Review and update all system access on a timely basis and remove access appropriately for University or unit departures, or position changes.
3. Develop and implement policies and procedures to address system access.

Management's Responses:

HRL will develop policies and procedures that will employ a least privilege access which are aligned with active job duties. The policies and procedures will address system access and include measures to ensure and document changes for staff who no longer need access or need modified access.

It is worth noting that currently in the community standards and occupancy management systems, former users are not removed from the access software, as their associated records would be removed. However, former users are removed from the domain control.

The developed policy will establish timelines for review of access and be strengthened by removing the privileges of inactive users with each software application in addition to the current practice of removing former users from domain control.

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

Anticipated Completion Date: *July 1, 2017*

Improve Fire, Health and Safety Inspections and Ensure Corrective Action

URI residence halls have three different types of fire, health and safety inspections.

- RAs conduct fire safety inspections on a monthly basis.
- Public Safety, along with Hall Directors (HDs) or Graduate Assistant Hall Directors (GAHDs), conduct random life safety inspections of ten rooms within each residence hall per semester.
- Fire/Life Safety Technician completes an inspection of each residence hall annually.

Each of these inspections have a different process for reporting deficiencies as well:

- RAs must follow up within 48 hours to the rooms in which fire safety violations were found to ensure corrections have been made and document fire safety violations in the community standards software.

- RAs must follow up within 48 hours to rooms with life safety violations, ensure corrections have been made, and complete paper forms that are submitted to a Senior Word Processing Typist in the HRL Business Office.
- Fire/Life Safety Technician must document deficiencies in a formal report and submit to HRL and Facilities Services for corrective action to be taken within 30 days upon receipt of the report.

The following sections discuss improvements based on the review of the fire, health and safety inspections.

Enforce Compliance with Monthly Fire, Health and Safety Inspection Procedures

The HRL Staff Manual states that RAs must conduct monthly fire inspections for their assigned floor. RAs must follow up within 48 hours to the rooms in which safety violations were found to ensure corrections have been made, and document Fire Safety violations in the community standards software. We sampled monthly inspection forms and found:

- required forms were on file, and
- 13 of the 40 reports listed violations.

However, we found deficiencies related to the recording of these violations and the required actions:

- ✓ Three of the 13 reports did not report the violations in the community standards software (23% error rate).
- ✓ Seven of the 13 reports (54% error rate) did not include evidence indicating that the violations were corrected.

There are inconsistent practices amongst Resident Advisors as to the reporting, necessary corrective action procedures and follow-up documentation for monthly fire inspections. This inconsistency increases the potential for fire inspection violations to go unattended; and without documentation in the community standards software, repeat offenses are not easily identifiable.

Recommendation:

4. Enforce and monitor compliance with monthly fire inspection procedures detailed in the Staff Manual.
5. Ensure Resident Advisors are receiving training about fire inspections and related violation recording and resolution requirements.

Management's Response:

HRL will implement an electronic method of recording inspection results which will automate the information for prompt follow up. As these systems are updated, all hall staff will be trained accordingly. HRL will collaborate with Public Safety to ensure best practices are maintained.

All Resident Advisors receive comprehensive training prior to the onset of each academic term on a wide variety of topics, including fire safety. HRL will ensure supervisory training and compliance to minimize inconsistent practices across and within the building staffs.

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

Anticipated Completion Date: *July 1, 2017*

Track Fire and Life Safety Inspections Electronically

According to the HRL Staff Manual, Hall Directors and Graduate Assistant Hall Directors sign up to accompany the Public Safety Inspector to ten random rooms per residence hall. HDs and GAHDs are responsible to notify students 24 hours in advance of the inspection. RAs must then follow up within 48 hours to the rooms which had safety violations to ensure corrections have been made. After follow-ups are completed, forms are submitted to the HRL Business Office.

The process for tracking fire and life safety inspections and related corrective actions is a manual, paper-driven process. The violations identified during the quarterly inspections are not required to be reported in the community standards software, unlike the RA inspections discussed above which are completed on a paper form, and any ensuing violations are subsequently entered into the community standards system.

The outdated tracking and reporting of fire inspection violations makes it difficult to track timely performance, pertinent corrective actions and repeat offenses. The manual process decreases the control resulting in unaddressed violations.

Recommendations:

6. Require all fire inspections to be electronically documented consistently in the community standards software or another electronic system.
7. Consider linking the electronic form to the occupancy management system through an inspection module.

Management's Response:

HRL will utilize an electronic fire safety inspection system that will allow for the recording and tracking of fire safety inspections and violations. HRL will also implement a process flow to document timely follow-up and corrective action.

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

Anticipated Completion Date: *July 1, 2017*

Coordinate Resolution of Annual Fire Inspection Deficiencies

URI Fire/Life Safety Technician conducts annual inspections at each residence hall and issues a report to HRL and Facilities Services as applicable about deficiencies identified. It is the responsibility of the residents of the room/apartment to have all deficiencies corrected in 30 days upon receipt of the report.

The URI Fire Safety Technician conducts annual fire inspections for all residence halls. However, there was no indication that corrective action occurred for reportable deficiencies. At times, the deficiencies dated back multiple years. The fire inspection report is provided to multiple parties (as stated above); however, there is insufficient communication between the offices to indicate corrective action was taken and deficiencies were appropriately resolved. Without communication, coordination and corrective action, the control inspection function is not operating as intended.

Recommendation:

8. Complete, communicate and document resolution of annual fire inspection deficiencies timely.

Management's Response:

The Fire Safety Inspections for Housing are tracked through the work order process managed by Facilities Services and assessed a "Priority 1" label through to completion.

The university recently moved to a new work-order system for which the reports are still being developed. HRL will strengthen and clarify procedures, in collaboration with Facility Services and Public Safety, to develop reports and processes that better complete, communicate and document resolutions of annual fire inspection deficiencies in a timely manner.

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

Anticipated Completion Date: *July 1, 2017*

Establish Standard Operating Policies and Procedures

Documented policies and procedures allow for organized operations by establishing work processes and promoting uniformity of operations among staff. HRL lacks key formal policies and operating procedures as detailed below.

Define Auxiliary Responsibilities

The Department of Housing and Residential Life is an auxiliary. An auxiliary enterprise is a self-supporting entity that exists to furnish goods or services for a fee to students, faculty and staff, or incidentally to the general public. Rhode Island General Law (RIGL) 16-59-9 states that auxiliary facilities must be self-supporting, and State-appropriated funds may not be designated to an auxiliary unless allowed per a bond issuance or capital appropriation.

Management has not clearly defined or established policies regarding the division of responsibility between the University and the HRL auxiliary unit; specifically which properties are to be supported by the auxiliary unit. Without clearly defined roles and responsibilities as written policy, the following risks exist:

- Misappropriation of State funds: State-appropriated funds may be used to fund auxiliary activities which violates RIGL 16-59-9.
- Deterioration of buildings: necessary repairs may not be performed, since responsibility for auxiliary buildings are not clearly defined.

Recommendation:

9. Establish, define and communicate the responsibilities of the University and of the auxiliary, HRL.

Management's Response:

The university has a well-established Auxiliary Indirect Cost Policy. HRL staff will work with the appropriate staff at the university to establish additional policies to address one-time expenses. In addition to this, staff in HRL will work across the university to establish policies as related to multiple issues including maintenance and repair of buildings, snow removal, etc. .

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

Anticipated Completion Date: *July 1, 2017*

Establish Formal Policy for Free Housing/Housing Waivers

The Department of HRL does not have an overarching policy for free housing/housing waivers. This policy should address Resident Advisors, Resident Academic Mentors, Hall Directors and Graduate Assistant Hall Directors who would be eligible to receive a housing waiver or free housing. Some of the referenced group employment contracts requires them to receive free housing; however, there is no formal policy that specifies all qualified circumstances that allow free housing or a housing waiver. A formal policy should spell out the qualified positions, approval necessary and agreement terms for free housing/housing waiver.

We tested to determine if there were any individuals who received free housing or housing waivers that did not belong to one of the groups above. An internal control weakness was discovered within the occupancy management system; there is the ability to override controls by denoting a student as hall staff which, in turn, determines the student housing fee. Our testing for the spring 2016 academic semester revealed 2 of the 192 students or employees that received housing waivers or free housing did not meet the rule for free housing. A timely review of the system designations to the defined

policy exception titles should occur. Without established policy and oversight of system controls, there is an increased risk that students or employees could inappropriately receive free housing.

Recommendations:

10. Develop a formal policy for the granting of free housing or housing waivers.
11. Ensure review and approval occurs prior to processing each request.

Management's Response:

HRL will develop a policy to establish criteria for free housing or housing waivers. HRL will also implement a process flow to document how the criteria will be applied as well as an approval and documentation process for impacted individuals.

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

Anticipated Completion Date: *July 1, 2017 (Note - HRL will immediately work to identify those currently receiving free housing and bill appropriately.)*

Establish Policy for Handling Student Withdrawals

The HRL and Dining Services agreement states that:

Residents who do not carry a minimum of 12 credits per semester will have their HRL and DS agreement terminated, and they will immediately be removed from HRL residences.

The OIA conducted a sample of 20 students who concluded the fall 2015 semester with fewer than 12 credits.² Six of these students withdrew during the course of the semester and had access to their room for a period of time after they withdrew. Only three of these students accessed their room after they withdrew.

HRL has no procedure for identifying students who have left the University or a policy to determine when they should have access removed from HRL residences. Without a consistent procedure or policy in place, students on a waiting list may be prevented from moving into a room that has been vacated or should be vacated.

Recommendation:

12. Develop a policy to identify students that have withdrawn to develop a procedure for removing that student from housing.

²This sample was limited to students who were charged for housing for the entire semester for which they were not carrying 12 credit hours.

Management's Response:

HRL will develop a policy to support its current practice to identify students who have withdrawn from the university. HRL will also review the current language of the residential housing agreement to ensure alignment with practice.

It is worth noting that occasionally students fall below the 12 credit limit or experience hardship circumstances, therefore the policy will clearly define when exceptions can be granted.

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

Anticipated Completion Date: *July 1, 2017*

Develop Policy for Assessment of Charges for Room Changes

Students may submit requests to change rooms throughout the semester. If they elect to change to a room that is assigned a different room rate, they are charged a per diem room rate per room for the time occupied.

In a sample of 40 students that had room changes per the occupancy management system, three³ were inaccurately charged. According to an unofficial policy, students are allowed to occupy two rooms for a few days in order to move their belongings. The student is charged for these days at the new room rate.

The sample results are:

- One student was overbilled \$100 for his/her room change.
- Two students were under billed, one for \$160 and the other \$57.

There is no policy for employees or student employees to follow when making room changes, which increases the risk of these mistakes occurring.

Recommendations:

13. Develop a formal policy and establish procedures for making a room change and how to process the associated fee change.
14. Ensure staff, including student employees, are trained on the formal procedures established for processing room changes.

Management's Response:

HRL will develop a policy in support of existing procedures on conducting room changes in the occupancy management system and will implement a validation review processes to ensure that resulting pro-rated billing amounts are accurate.

³In one instance, a student was charged for occupying two rooms at one time. Another student was not charged for moving to a more expensive room near the end of the semester. The last identified exception was the failure to charge a student the communication fee and one day of room occupancy.

HRL will strengthen existing training protocol so that staff assigned to complete room changes are fully trained and knowledgeable.

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

Anticipated Completion Date: *July 1, 2017*

Develop Efficient Process for Ensuring Triple Room Discounts are Applied

HRL allows a 15 percent discount for students assigned to live in a triple room. At the start of the semester, the student is charged at a double-room rate, and each of the first eight weeks of the semester that the student stays living in the triple room, HRL credits his/her account roughly 1/8 of the 15 percent discount.

Seven of the students in the sample of 40⁴ were given weekly discounts in excess of the appropriate amount. The total under-billed amount was \$1,187, with an average of \$169 per student. HRL's procedure dictates that in order for a student to receive the triple discount, he/she must reside in the triple room on the Monday following the week's end. The occupancy report for certain students was run incorrectly and resulted in duplicated discounts being applied to their account. Further, two students changed rooms prior to Monday and were still given the weekly discount.

The procedure for review and verification of triple-room discounts is ineffective. Without a policy in place to ensure the discounts are appropriately applied, HRL is forgoing potential revenue.

Recommendation:

15. Develop a formal policy and procedure for triple room discounts.
16. Review a sample of students receiving the triple room discount to ensure the proper amount is granted to the student on a timely basis and in accordance with the established policy.

Management's Response:

HRL will develop policy and procedures that support existing practices for transacting triple room discounts in the occupancy management system. The procedures will include a validation review processes to ensure that resulting billing amounts are accurate.

HRL will strengthen existing training protocol so that staff assigned to complete and vet triple room discounts are fully trained and knowledgeable.

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

Anticipated Completion Date: *July 1, 2017*

⁴ Of the 40 included in the sample, 19 were awarded triple-room discounts. Seven of the 19 (37%) were given weekly discounts in excess of the appropriate amount.

Adhere to Established Policies and Procedures

A major concern is the unit's failure to, at times, adhere to the policies and procedures that are established. Management's circumvention of established policies and procedures creates a weak control environment as discussed in the opening of this report. Refer to the following issues.

Follow All Established Hiring Processes

A Resident Academic Mentor (RAM) is a member of HRL staff with an ancillary relationship as an assigned Living and Learning Community (LLC) academic partner through the Educational Coordinator. According to the URI RAM Selection process, the RAM is expected to attend preopening August training, fall residence hall opening and various other in-service training activities and programs throughout the academic year. The RAM receives a housing waiver, as stated previously, as payment for job responsibilities.

The Educational Programs Coordinator submits a listing of RAMs to the Business Office to process the Student RAM payroll upon completion of the necessary job requirements. Of the 21 RAMS included on the listing of Student RAM Payroll, one student was not on the HRL Educational Coordinator's listing for academic year 2016-2017. Management circumvented the RAM hiring process and added a student to the RAM Student payroll listing that did fulfill the job requirements. If management overrides controls, this increases the risk that fraud, waste and abuse may be eminent in the organization.

Recommendation:

17. Adhere to and enforce established policies and procedures for the hiring of student employees.

Management's Response:

Housing will abide by its established hiring policies and procedures for student employees.

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

Anticipated Completion Date: *July 1, 2017*

Abide or Modify Policy for Student Credit Hour Maintenance

The HRL and Dining Services Agreement states that:

Residents who do not carry a minimum of 12 credits per semester will have their HRL and DS agreement terminated and they will immediately be removed from HRL residences.

Of the 20 students reviewed whose status dropped below 12 credits, two of these students started the semester below 12 credit hours without increasing credit hours for the entire semester.

HRL has an informal policy that they do not remove students from housing until they drop below 6 credit hours, or are below 12 credit hours for multiple semesters. However, HRL is in violation of their formal agreement/policy. Students who are not full time are occupying spaces within housing and preventing other full-time students who may wish to move out of triple rooms or to on campus from doing so.

Recommendation:

18. 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, full time students will drop below the credit minimum due to hardship issues, therefore, the policy will include an exception review process where the credit minimum may be waived to afford the student time to get back above the minimum to live on campus.

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

Anticipated Completion Date: *July 1, 2017*

Adhere to Room Cancellation Policy

The HRL and Dining Agreement requires that:

Residents whose request to cancel their HRL and DS agreement is approved will be charged a \$200 agreement cancellation fee.

In a sample of 11 cancellations during fiscal year 2016, two students were not charged a cancellation fee in violation of this formal policy.

Management stated that it has an informal policy for room cancellation fees. The cancellation fee is posted after the first week of the fall semester through December 1. Through a special promotion to residents who will not be returning for the spring semester, a student can avoid the fee by notifying Undergraduate Assignments of his/her intent to not return before they leave for winter break. The informal policy implies that the two exceptions were allowable. However, two other students cancelled prior to the start of the fall semester and were charged. In addition, one student canceled prior to the end of the fall semester for the spring semester and was charged.

Neither the formal nor informal policy is consistently adhered to. The existence of an informal policy may create confusion for staff or student employees processing cancellations. Further, it could result in unfair circumstances for students in which some are charged to cancel their HRL and DS agreement and others are not as evidenced in the above paragraph.

Recommendation:

19. Adhere to cancellation fee policy and amend the policy to include any circumstances that warrant waiving a cancellation fee if applicable.

Management's Response:

HRL will review and revise the existing cancellation fee policy to reflect current practice for applying the fee and outline the exceptions where the fee may be waived.

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

Anticipated Completion Date: *July 1, 2017*

Reconcile Revenue between the Department of Housing and Residential Life's and the University of Rhode Island's Records

Internal control best practice warrants timely reconciliations. Reconciliations help ensure the accuracy and validity of financial information and that unauthorized changes have not occurred to transactions during processing. Further, it involves resolving and correcting any discrepancies that may have been discovered.

During the OIA's room change payment review, we sampled 40 students and found four students in which the amounts billed by enrollment services did not agree with the amount in the occupancy management system.⁵

There is no reconciliation performed between occupancy levels from the occupancy management system compared to URI's housing revenue. There is the potential that HRL's revenue could be misstated without timely reconciliations or the occupancy management system is not reflecting the correct billing rates.

Recommendations:

20. Reconcile occupancy levels and total HRL revenue with the URI's Housing Revenue timely.
21. Appropriately reflect all student housing billed amounts in the occupancy management system.

Management's Response:

Improved reconciliation of revenue has been a topic of discussion over the past several years at the University. Consistent with best practice, HRL will work collaboratively with Enrollment Services and the Controller's Office to outline and implement detailed revenue reconciliation practices based on

⁵Of these discrepancies, two were resolved, and students were appropriately billed; however, two students were under billed.

actual occupancy with the intent to ensure accuracy and consistency between HRL, student billing and PeopleSoft.

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

Anticipated Completion Date: *December 21, 2017*

Ensure Housing Rates Appropriately Reflect Rates Approved in Budget Allocation

HRL is required to adhere to URI's budget process, which includes the submission of projected financial information based on room occupancies and associated revenues. This information was required to be submitted during August 2014. The allocation is the final approval for the budget, and this occurs during May 2015.

Budget requests and allocations include assigned occupancy rates per room type; each room type has a different associated fee.⁶ During the August 2014 budget process, HRL was unsure of when the renovations to the Roger Williams complex would be completed. Therefore, they submitted the budget request based on these buildings being charged at a Group A (un-renovated) rate. The renovations were completed in summer of 2015. During January 2015, prior to upperclassmen housing selection, HRL updated the occupancy management system and website to reflect the higher Group B rate for the fall 2015 semester prior to approval.

HRL submitted a budget allocation with the buildings in the Complex to be charged at the higher Group B (renovated) rate during May 2015. This allocation was rejected by the URI Budget and Financial Planning Office because it was not submitted with the budget request. However, the occupancy management system was never corrected to revert back to the Group A rate for the Roger Williams complex. As a result, students were charged at the higher Group B rate as follows.

- \$327 per semester for a double
- \$329 for a single

We calculated the estimated overbilling at a 90 percent occupancy rate, resulting with possible overbillings of \$671,400 for the 2015 academic year.

Recommendations:

22. Determine the exact overbilling amounts and refund students who were overcharged housing fees.
23. Develop a process for ensuring housing rates charged are those approved in the budget allocation.

⁶Group A rates are charged for non-renovated buildings, and Group B rates are charged for renovated buildings.

24. Verify the approved budget rates are correctly reflected in the occupancy management system, and also, the advertised room rate are reflected on the department's web site.

Management's Response:

HRL will take steps to identify the exact overbilling amount and work to refund those students who were charged the advertised group B rate rather than the group A approved rate for the 2015 academic year. HRL will develop internal controls to ensure rates are consistent amongst those advertised in relation to both the occupancy management system as well as the rates approved through the budget process. HRL will collaborate with Enrollment Services to explore additional controls.

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

Anticipated Completion Date: *April 1, 2017*

Increase Internal Controls over Purchase Card and Petty Cash Accounts

Strengthen Adherence to Purchase Card Requirements

The Purchase Card (PCARD) program is a fast, flexible purchasing method that delegates small dollar purchasing power to individual University employees. URI is a non-profit organization with tax exemption status in Rhode Island, as well as in several other states, including Michigan as stated in the URI PCARD Policy Manual.

Transactions are paid through the State payroll system upon receipt of proper approval and authorization. Approvals are granted in conjunction with a completed application by the Associate Dean, Director or Department Head, and the President's delegated authorized signer. An internal control to mitigate waste and abuse is that a subordinate should not approve activities of their supervisor.

Testing of six purchase card transactions revealed the following deficiencies:

- Two transaction charges included sales tax from Michigan even though URI is exempt from paying sales tax in Michigan.
- All six tested transactions were executed without a signed agreement between the cardholder and the University.
- All six of the transaction expenditures incurred were approved by lower level employees.

During the audit period through current date, management was in the process of shifting job responsibilities and did not ensure the appropriate training about established University policies was communicated. Without sufficient controls over purchase card expenditures, there is an increased risk that funds are wasted or misused.

Recommendations:

25. Ensure all staff handling purchase card approvals are PCARD policy trained.
26. Consider incorporating the best practice of requiring one superior to approve expenditures into the PCARD policy.

Management's Response:

All HRL P-Card administrators either held the role previously at the University or at HRL dating back several years, the initiation of which required training. In 2016, administrator roles in the department were consolidated and internal hands-on training occurred with management in attendance. P-Card policy binders were created and made accessible to employees. Per University policy, both Cardholder and Administrator are to be notified directly regarding refresher training if prior training exceeds three years. Going forward, HRL management will ensure *written* acknowledgement that the policy training is completed.

The current University P-Card policy does not prohibit a subordinate-to-supervisor approval structure; however, in recognition of best practices, HRL will adjust the roles accordingly.

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

Anticipated Completion Date: *July 1, 2017*

Tighten Control over Imprest Cash Account for Hall Director Purchases

According to the HRL Staff Manual, each Hall Director is assigned an \$800 imprest cash account to be replenished up to \$6,000 per academic year. Any expenditure from the petty cash fund must be accompanied by appropriate documentation. Only original receipts may be submitted for reimbursement. Staff dinners must indicate what it was for and who attended, and gift certificates/prizes must include a property transfer form. Imprest cash account transactions are reimbursed to a Hall Director when he/she provides a receipt. There is no policy or procedure that requires additional detail be provided to support the purpose of expenditure.

Several weaknesses identified during testing of imprest cash accounts, including:

- Two transactions did not have adequate supporting documentation.
- Four transactions exceeded the \$100 transaction limit for individual transactions.
- One receipt was not included in monthly reconciliation.

Although most receipts were on file, there is no procedure to verify that items on receipts are for students and programs held within the residence halls. Without a more stringent policy and procedure to verify and approve imprest cash account expenditures, funds could be misappropriated.

Recommendations:

27. Establish and communicate criteria for imprest cash purchases.
28. Require supporting documentation be submitted to evidence criteria verified and approved.

Management's Response:

HRL acknowledges the need for additional structured criteria as well as after-action-assessment and verification of student-related programs and events. HRL will develop and implement an end-to-end, fully documented process. Staff in HRL will be trained accordingly.

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

Anticipated Completion Date: *July 1, 2017*

Request Policy Addendum for Imprest Cash Account Purchase Exceptions

URI's Petty Cash/Imprest/Change Fund Policies and Procedures states that petty cash transactions are limited to less than \$100. Further, meals, beverages, gift cards, prizes and awards are not allowable purchases under the imprest cash policy. During testing of imprest cash account transactions, there were numerous purchases that violated this policy. According to management, HRL has an unwritten exception to the policy, since items are purchased for activities in the residence halls. It is difficult to hold management accountable to University policies and procedures if exceptions are informally allowed.

Recommendations:

29. Obtain written exception from Controller's Office for expenditures outside the URI Petty Cash/Imprest/Change Fund Policies & Procedures.
30. Replace imprest cash account with the University purchase card.

Management's Response:

Predating the OIA audit report, HRL had initiated communication with the Controller's Office to begin exploring the migration of hall imprest accounts from a cash model to the P-Card. HRL will work collaboratively with the Controller's Office to assess feasibility and to establish written exceptions, as applicable.

Responsible Party: *John Sears, Assistant Vice President - Student Affairs, Director of Housing and Residential Life in collaboration with: Office of the Controller*

Anticipated Completion Date: *July 1, 2017*

Discontinue Use of Petty Cash Account for Housing and Residential Life Office

During our review of the HRL office petty cash account, we identified several internal control weaknesses. Although petty cash accounts are small in dollar value, there are inherent risks associated with maintaining cash on hand. Such accounts are subject to a higher risk of waste, misappropriation of funds, human error and circumvention of purchasing regulations.

Recommendation:

31. Discontinue use of petty cash account, refer to recommendation 29.

Management's Response:

Petty cash supports ancillary expenses such as student laundry reimbursements and postage stamps for the student mailroom. In FY2016, total expenditures were approximately \$200. HRL concurs with the OIA suggestion to dissolve the cash fund to mitigate risk inherent with cash on hand and will utilize other University purchasing mechanisms and will explore student reimbursements with the vendor.

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

Anticipated Completion Date: *July 1, 2017*

Require Sign-In to Evidence Training Attendance

The Resident Advisor Employment Agreement states that RAs are required to attend and participate in all training and orientation programs, in-service trainings, and staff meetings. Resident Academic Mentors (RAMs) are required to attend and assist with, as required, staff training programs and to enroll in a course as a condition of their employment.

The review of 16 RA and RAM records disclosed that RAs and RAMs are not required to sign in to evidence their attendance at training sessions. The Coordinator of Staffing and Development stated that RAs are not required to sign in at training because they have an informal tracking of attendance by the applicable Hall Director to which the RA reports. Training of RAMs is informally tracked by the Coordinator of Educational Programs. There is no procedure or policy in place that requires RA/RAM training to be formally tracked.

The absence of training attendance documentation increases the risk that employees will fail to completely fulfill their training obligations, or miss training that is essential to the performance of their job responsibilities.

Recommendation:

32. Require RA and RAMs to sign in attendance sheets at residence hall staff training.

Management's Response:

HRL has previously used a method of supervisory oversight to account for student RAs and RAMs attendance at training events. HRL will implement a staff scheduling and attendance process for all RAs and RAMs for residence hall staff trainings.

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 in place 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, statues, and with adequate controls.

Methodology

As part of our audit work, we gained an understanding of the HRL department 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.
- Tested for compliance with established policies and procedures.
- Sampled student housing billings for accuracy.
- Reviewed numerous fraud complaints received through the OIA hotline.

ATTACHMENT

December 20, 2016

Ms. Dorothy Pascale
Chief
Office of Internal Audit
Department of Administration
One Capitol Hill
Providence, RI 02908-5889

Dear Chief Pascale:

The staff in Housing and Residence Life in the Division of Student Affairs at the University of Rhode Island thank the Bureau of Audits for assisting us in meeting our goals of providing high quality service to the URI Community and the state of Rhode Island.

It was a pleasure working with Mr. Mike Sprague, Deputy Chief and his team who conducted the audit of Housing and Residence Life. They were the utmost professionals and we are impressed with the level of detail they have given us in their report.

We recognize that the audit is not an independent event; instead it is an opportunity for us to enhance the services we provide the URI community. We will use the results of the audit to strength our commitment to the creation of an efficient and effective operation that is focused on providing outstanding housing in an inclusive environment where students can be academically successful.

Respectfully yours,

Kathy

Kathy Collins, Ph.D.
Vice President for Student Affairs

c- Dave Dooley, President
Kelly Mahone, Executive Director, External Relations and Communications
John Sears, Director, Department of Housing and Residential Life