

HUMAN RESOURCES
CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO

Report Number 04-30
December 13, 2004

Members, Committee on Audit

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THE CALIFORNIA STATE UNIVERSITY

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ABBREVIATIONS

CMS	Common Management System
CSU	California State University
CSUSB	California State University, San Bernardino
FML	Family Medical Leave
GC	Government Code
HEERA	Higher Education Employee Relations Act
HIPAA	Health Insurance Portability and Accountability Act
HR	Human Resources
MPP	Management Personnel Plan

EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of the University Auditor during the last quarter of 2002, the Board of Trustees, at its January 2004 meeting, directed that *Human Resources* be reviewed.

We visited the California State University, San Bernardino campus from August 30, 2004, through September 24, 2004, and audited the procedures in effect at that time.

In our opinion, the administration and management of the human resources function provided effective controls, such as well maintained and documented files in the tenure-track faculty and staff recruitment areas, the effective administration of the employee and dependent fee waiver and classification programs, and ongoing staff and manager training in areas such as the recruitment and compensation of staff personnel and the provision of employee benefits. However, the controls that ensure compliance with certain campus and systemwide operating standards needed to be strengthened.

The following summary provides management with an overview of conditions requiring attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [] refer to page numbers in the report.

RECRUITMENT, SELECTION, AND HIRING [5]

Recruitment and hiring practices for staff did not always ensure that campus files were properly documented and in compliance with related policies and procedures. Specifically, documentation was not found in staff recruitment files to show that license requirements and educational qualifications of applicable job applicants were verified. In addition, written policies and/or procedures had not been developed for (1) the hiring of non-faculty special consultants; (2) verification and reverification of employment eligibility; and (3) verification and reverification of professional license, certification, and/or registration requirements.

COMPENSATION, BENEFITS, AND EMPLOYEE PROGRAMS [8]

Administration of family medical leave (FML) requests was in need of improvement. The campus had not established procedures for the administration of FML. Additionally, a review of FML files for 15 employees disclosed inadequate evidence that the campus administered the program in accordance with California State University policies and federal and state laws.

INFORMATION SECURITY [9]

The protection of confidential employee information needed improvement. A review of 15 employees with access to PeopleSoft HR noted that the campus could not provide evidence that the PeopleSoft HR System Access Form was approved by the campus president or vice president of administration and finance, and reapproved in accordance with systemwide directives for three and six employees, respectively. We also could not locate evidence that confidentiality agreements were signed by nine employees.

INTRODUCTION

BACKGROUND

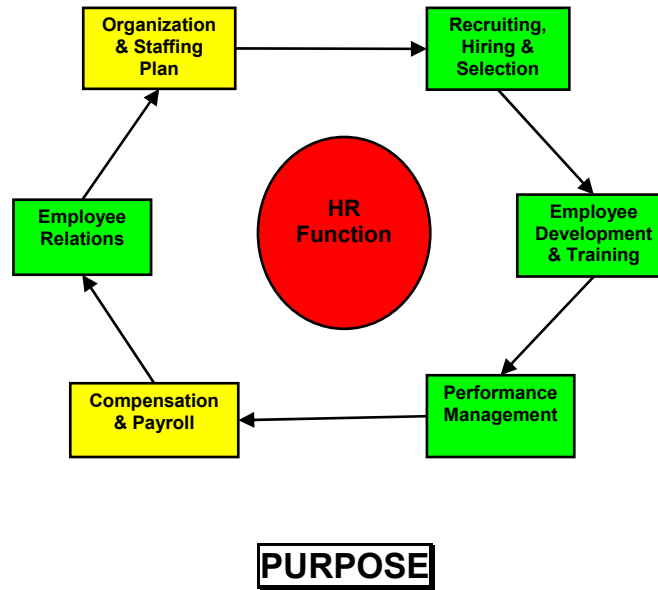
Human resources management is organizing, guiding, providing resources for, and interacting with employees. To be effective, the human resources function must be aligned with the organization's goals and objectives and administered in a manner that meets extensive legal and regulatory challenges. At the California State University (CSU), the human resources management function is a shared responsibility between the chancellor's office and the campuses to:

- ▶ Plan for the movement of people into, within, and out of employment with the university.
- ▶ Recruit and select personnel with the appropriate skills, knowledge, and abilities.
- ▶ Train and develop staff members to enhance their capabilities.
- ▶ Provide compensation and benefits that attract, motivate, and retain talented employees.
- ▶ Appraise and report employee performance to identify areas that need improvement and provide positive reinforcement for effective performance.
- ▶ Maintain effective employee relations.
- ▶ Provide for employees' safety by minimizing the risk of illness and injury in the workplace.

As a state agency and a recipient of federal funds, the CSU must perform its human resources management responsibilities within legal constraints imposed by the government. In addition to Board of Trustee policies, the university must comply with major federal and state laws that govern human resources management practices and address equality and fairness in the workplace. Such laws include, but are not limited to, Title VII of the Civil Rights Act of 1964, the Equal Pay Act of 1963, the Age Discrimination in Employment Act, the Vietnam Veteran's Readjustment Act of 1974, and the Americans with Disabilities Act of 1990. As a result of the Higher Education Employee Relations Act (HEERA) of 1979, human resources management activities must also be performed within the parameters of collective bargaining and negotiated union contracts.

Human resources management activities rely on effective information management systems for operational efficiencies and controls; however, one of the major advantages of such systems is also a potential liability. As part of their job responsibilities, employees have access to information that can be useful for decision-making; however, most of that information needs to remain private and is presently regulated by such laws as the Information Practices Act of 1977, the Health Insurance Portability and Accountability Act (HIPAA) of 1996, and the Board of Trustees' own policies for personal information management.

In fiscal year 2002/03, the CSU expended approximately \$2.8 billion (or 64 percent of total operating expenses) on salary and benefits for faculty and staff. Because of this investment, the university remains accountable for implementing a dynamic human resources function that attracts and maintains qualified personnel. For the scope of this audit, we will review components of the following human resources management activities:



Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to the administration of the human resources function and to determine the adequacy of controls over the related processes to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

Within the overall audit, specific goals included determining whether:

- ▶ Administration and management of the human resources function provide effective internal controls, clear lines of organizational authority, delegations of authority, and documented policies and procedures.
- ▶ Processes and procedures ensure timely and effective communication of CSU and campus policies and federal and state laws and regulations in the employment area.
- ▶ Employees are sufficiently apprised of acceptable business practices and expected standards of ethical and moral behavior and report conflict of interest situations.
- ▶ Recruitment, selection, hiring, and appointment activities are properly authorized, ensure employment eligibility, and comply with state and federal laws and regulations and collective bargaining agreements.
- ▶ Professional licenses, certificates, and/or registration requirements for applicable employees are properly maintained.

INTRODUCTION

- ▶ Employee compensation and benefit requests are properly authorized, timely processed, and comply with applicable collective bargaining agreements as well as campus and CSU policy.
- ▶ Managers, supervisors, and other persons involved in recruiting and interviewing staff and processing employee compensation, benefits, and program requests are appropriately trained and knowledgeable of assigned human resources responsibilities, including the protection of confidential employee information.
- ▶ Confidential hard-copy and system information, such as information pertaining to recruitment, selection, and hiring activities, and compensation and benefit requests are reasonably secure.

SCOPE AND METHODOLOGY

The proposed scope of the audit, as presented in Attachment B, Audit Item 2 of the January 27-28, 2004, meeting of the Committee on Audit, stated that the review would include compliance with employment laws and regulations, position classification/compensation, advertising for prospective employees, employee training, and programs for employee benefit administration. The Office of the University Auditor has not previously reviewed *Human Resources*.

Our study and evaluation were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that operational and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor and campus policies, letters, and directives. The audit review focused on procedures in effect during fiscal year 2003/04. Throughout this report, we will refer to human resources as the primary audit subject. At California State University, San Bernardino, the vice president of administration and finance and other responsible individuals administer the human resources function.

We focused primarily upon internal, administrative, compliance, and operational controls over the management of the human resources function. Specifically, we reviewed and tested:

- ▶ Administrative policies, procedures, and processes.
- ▶ Communication of CSU policies and other directives.
- ▶ Conflict of interest forms and training programs.
- ▶ Recruitment, selection, and hiring activities for faculty and staff, including training processes.
- ▶ Administration of compensation, benefits, and employee programs.
- ▶ Maintenance and protection of confidential human resources information.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

RECRUITMENT, SELECTION, AND HIRING

FACULTY AND STAFF FILES

Recruitment and hiring practices for staff did not always ensure that campus files were properly documented and in compliance with related policies and procedures.

As part of a review of non-faculty files (12 represented and six non-represented employees), the campus was unable to provide evidence that:

- ▶ Educational qualifications were verified for two applicable represented employees and two applicable Management Personnel Plan (MPP) employees.
- ▶ The required driver's licenses were verified and a physical examination was performed for one applicable represented employee and one applicable MPP employee.

Additionally, we noted that one confidential employee was currently employed on a temporary assignment for over one year and was not given permanent status.

California State University, San Bernardino (CSUSB) *Recruitment, Selection and Appointment Policy - Appointment*, dated April 12, 1993, states that the human resources (HR) department will conduct the appropriate background reference checks and, if appropriate, educational verification.

CSUSB *Recruitment, Selection and Appointment - Physical Examinations*, dated April 12, 1993, states that positions that require physical effort and dexterity will require a physical examination prior to the actual start of work. The job announcement will indicate that the successful completion of a physical examination is required for the position. Requests for a physical examination should be forwarded to the HR department, along with an approved requisition.

California State University (CSU) directive HR 1996-15, Supplement #1, *Confidential Support Classification Series*, dated December 6, 1996, states that the administrative support classification is designated as "non-academic" and the probationary period is one year.

Government Code (GC) §43580 states that if a non-academic employee serves full-time for one year, the employee shall be awarded permanent status on beginning his or her second year of service. Part-time service performed by such non-academic employees shall not be credited toward permanent status.

The director of human resources stated that verification of educational qualifications had not been a part of the recruitment process and the hiring departments are responsible for verifying licenses and ensuring that physical examinations are performed if they are included in the job announcement. He also stated that the confidential employee worked on a temporary part-time basis in the prior year and the HR department did not realize that she had been working full-time for a year.

Failure to recruit and hire faculty and staff in accordance with campus policies could result in failed searches and potential complaints of discriminatory practices.

Recommendation 1

We recommend that the campus ensure that:

- a. Verification of educational qualifications is performed for applicable employees.
- b. All licenses that are required in the vacancy announcement are verified.
- c. A physical examination is performed if required for a position.

Campus Response

The campus concurs with the recommendation and will develop and implement a process to ensure that required educational qualifications and licenses are verified, and that physical examinations are performed, when applicable to the position. Completion date: June 30, 2005.

WRITTEN POLICIES AND PROCEDURES

The campus had not developed policies and procedures for the hiring of non-faculty special consultants or procedures for verifying and reverifying employment eligibility.

GC §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. Further, a satisfactory system of internal administrative controls shall include, but not be limited to, an established system of practices to be followed in performance of duties and functions.

The director of human resources stated that the campus followed the general recruitment policy and used unwritten procedures when hiring non-faculty special consultants. He also stated that the HR department had established unwritten procedures for the verification and reverification of employment eligibility.

Failure to maintain effective policies and/or procedures for recruiting, selecting, and hiring employees increases the risk of hiring ineligible or questionable employees.

Recommendation 2

We recommend that the campus develop and document policies and procedures for the selection and hiring of non-faculty special consultants, and procedures for the verification and reverification of employment eligibility.

Campus Response

The campus concurs with the recommendation and will develop and implement a policy and procedures for the selection and hiring of non-faculty special consultants. Procedures will be developed and implemented to ensure verification and reverification of employment eligibility. Completion date: June 30, 2005.

PROFESSIONAL LICENSE, CERTIFICATION, AND REGISTRATION REQUIREMENTS

The campus had not developed procedures for the verification and reverification of professional license, certification, and/or registration requirements.

CSU directive HR 2003-26, *MPP: Special License, Certification, and Registration Requirements*, dated December 11, 2003, states that campuses are responsible for monitoring MPP positions that require any special license, certification, and/or registration requirements and for ensuring that incumbents possess the appropriate related qualifications.

GC §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. Further, a satisfactory system of internal administrative controls shall include, but not be limited to, an established system of practices to be followed in performance of duties and functions.

The director of human resources stated that the HR department had established unwritten procedures for the verification and reverification of professional license, certification and/or registration requirements.

Insufficient monitoring of license, certification, and/or registration requirements increases the risk of non-compliance with internal qualification and external agency requirements, and the possible retention of unqualified or unskilled personnel.

Recommendation 3

We recommend that the campus develop procedures and define responsibility for verifying and tracking professional license, certification, and/or registration requirements.

Campus Response

The campus concurs with the recommendation and will develop and implement procedures to delineate responsibility for verification and monitoring professional license, certification, and/or registration requirements applicable to MPP positions, in accordance with CSU directive HR 2003-26. Completion date: June 30, 2005.

COMPENSATION, BENEFITS, AND EMPLOYEE PROGRAMS

Administration of family medical leave (FML) requests was in need of improvement.

The campus had not established procedures for the administration of FML. Additionally, we reviewed 15 FML files and found that the campus could not provide evidence that:

- ▶ The leave was provided under the designated circumstances to a full-time or part-time employee; the employee was employed for at least one academic year or 12 non-consecutive months prior to the leave; employees had exhausted their personal holidays, vacation, and compensatory time off prior to the unpaid leave; returned to his/her former position or an equivalent position upon expiration of FML; and the qualifying FML period was tracked in accordance with federal and state laws.
- ▶ The Family and Medical Leave Request Form and the Certification of Employee's Own Illness/ Certification of Family Member's Illness was submitted to the HR department for two employees and 3 of 11 applicable employees, respectively.
- ▶ Authorized campus personnel approved FML leave for six employees, and the appropriate notification was given to the campus prior to the leave for ten employees.

CSU directive HR 99-05, *Revised CSU Family Medical Leave Policy*, dated May 7, 1999, states that all full-time and part-time employees employed for at least one academic year or 12 non-consecutive months preceding the leave are eligible for FML; employees must exhaust their personal holiday, any accumulated vacation, and compensatory time off leave credits prior to beginning unpaid leave; the maximum leave is 12 weeks in a 12-month period; and the CSU calculates the 12-month period on a forward rolling basis: the period is measured from the date the employee's first FML leave begins. The directive also states that an employee on FML is entitled to return to the same position or another position with equivalent benefits, pay and conditions of employment; it is the campus' responsibility to determine whether the leave qualifies as FML, to designate it as such, and to provide the employee with notice of the decision. Attachment E of the directive states that, at a minimum, campuses need to track the following types of data: employee payroll data; the dates leave is taken; information on intermittent or reduced work schedule leaves; copies of any written notices, policies, or practices; benefit premium payments; and records of any dispute regarding designation of an employee's leave as FML.

GC §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. Further, a satisfactory system of internal administrative controls shall include, but not be limited to, an established system of practices to be followed in performance of duties and functions.

The manager of employee benefits stated that she was new to this position and had not handled FML for very long. She also stated that the campus did not track the qualifying period of FML for full-time or intermittent leaves.

Inadequate control over the administration and handling of FML requests increases the risk of non-compliance with collective bargaining agreements, campus and CSU policy, and state and federal laws and regulations.

Recommendation 4

We recommend that the campus establish:

- a. Procedures for the administration of FML.
- b. Responsibilities and increase communication between HR and the payroll department to ensure sufficient tracking and documentation of FML requests.

Campus Response

The campus concurs with the recommendation and will develop and implement procedures to ensure adequate internal controls for the administration of FML, including identification of responsibilities of the HR and payroll departments related to the administration of FML. Completion date: June 30, 2005.

INFORMATION SECURITY

The protection of confidential employee information needed improvement.

A review of 15 employees with access to PeopleSoft HR noted that the campus could not provide evidence that:

- ▶ The PeopleSoft HR System Access Form was approved by the campus president or vice president of administration and finance, and reapproved in accordance with systemwide directives for three and six employees, respectively.
- ▶ Nine employees had signed a confidentiality agreement.

The chancellor's information security memorandum to CSU presidents dated March 28, 2003, states that no CSU employee will be granted access to confidential information in the CSU without review and written approval by the campus president or vice president of administration and that employees who currently have access must undergo the review and written approval process in order to continue their access capability. The reapproval process must be completed immediately or access will be revoked. In addition, employees approved for security access must sign a confidentiality agreement. The access approval document and confidentiality agreement must be kept on file in the campus HR department.

CSU directive HR 2004-08, *Requirements for Protecting Confidential Employee Data*, dated March 1, 2004, states that each campus and the chancellor's office must take necessary steps to protect confidential employee personal information, which includes, but is not limited to, social

security number, ethnicity, gender, home address, physical description, home telephone number, medical history and performance evaluations. The policy also states that to protect confidential employee data, each campus and the chancellor's office must ensure that all employees with access to confidential employee information have a legitimate CSU need to have such access and that these employees must understand the responsibility they have under the Information Practices Act and Title 5 to protect sensitive employee information.

The vice president of administration and finance stated that the campus was aware of the systemwide requirement to obtain his signature on system access forms and was in the process of complying with it; however, given the size of the effort involved in reviewing all employees with information access, the campus decided to focus on new Common Management System (CMS) users before addressing those who had previously been given access to CMS and other campus information systems.

Inadequate control over confidential employee information increases the risk of loss, theft, or unauthorized access to and disclosure of confidential employee information, and potential lawsuits against the campus and the CSU.

Recommendation 5

We recommend that the campus ensure that all employees with system access to confidential information have signed a security access authorization form and a confidentiality statement approved by the campus president or the vice president of administration and finance.

Campus Response

The campus concurs with the recommendation and will ensure that all employees approved for security access to confidential information systems have signed a security access authorization form and a confidentiality statement approved by the vice president of administration and finance. Completion date: June 30, 2005.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Albert K. Karnig	President
Susan Berilla	Manager of Training and Development
Diana Butler	Academic Analyst/Specialist
Twillea Carthen	Manager of Recruitment and Human Resources Programs
Dottie Cartwright	Administrative Support Coordinator
Adela Cortez	Human Resources Technical Analyst
Deborah Craney	Assistant to the Associate Provost
Juan Delgado	Professor of English
David DeMauro	Vice President of Administration and Finance
Shirley Dorsey	Payroll Manager
Kathy Edmonds	Administrative Support Coordinator
Lillian Hernandez	Manager of Employee Benefits
Deidre Kobziff	Administrative Analyst/Specialist
Laurel Lilienthal	Executive Assistant to the Provost
Karen Logue	Associate Director of Human Resources
Patrick McDonald	Chief of Police
Quentin Moses	Director of Parking Services
James Mulvihill	Professor of Geography
Linda Pella-Hartley	Aide to the Vice President of Administration and Finance
Mary Schmidt	Administrative Support Coordinator
Paul Vicknair	Associate Provost for Academic Personnel
Dale West	Director of Human Resources


State of California

California State University, San Bernardino
5500 University Parkway
San Bernardino, California 92407-2397

MEMORANDUM

FEDERAL EXPRESS DELIVERY

DATE : February 7, 2005
TO : Larry Mandel
University Auditor
The California State University



RECEIVED
UNIVERSITY AUDITOR
FEB - 9 2005
THE CALIFORNIA STATE
UNIVERSITY

FROM : David DeMauro, Vice President
for Administration and Finance

SUBJECT: **Campus Response to
Human Resources Audit Report No. 04-30
California State University, San Bernardino**

Enclosed are the campus responses to CSUSB's *Human Resources Audit Report No. 04-30*. Also enclosed is the required diskette containing the campus responses.

The campus will be forwarding documentation to support closure of these findings by June 30, 2005.

c: Albert K. Karnig, President
Dale T. West, Director, Human Resources

Enclosure

HUMAN RESOURCES

**CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO**

Report Number 04-30

RECRUITMENT, SELECTION, AND HIRING

FACULTY AND STAFF FILES

Recommendation 1

We recommend that the campus ensure that:

- a. Verification of educational qualifications is performed for applicable employees.
- b. All licenses that are required in the vacancy announcement are verified.
- c. A physical examination is performed if required for a position.

Campus Response

The campus concurs with the recommendation and will develop and implement a process to ensure that required educational qualifications and licenses are verified, and that physical examinations are performed, when applicable to the position.

Completion date: June 30, 2005

WRITTEN POLICIES AND PROCEDURES

Recommendation 2

We recommend that the campus develop and document policies and procedures for the selection and hiring of non-faculty special consultants, and procedures for the verification and reverification of employment eligibility.

Campus Response

The campus concurs with the recommendation and will develop and implement a policy and procedure for the selection and hiring of non-faculty special consultants. Procedures will be developed and implemented to ensure verification and reverification of employment eligibility.

Completion date: June 30, 2005

PROFESSIONAL LICENSE, CERTIFICATION, AND REGISTRATION REQUIREMENTS

Recommendation 3

We recommend that the campus develop procedures and define responsibility for verifying and tracking professional license, certification, and/or registration requirements.

Campus Response

The campus concurs with the recommendation and will develop and implement procedures to delineate responsibility for verification and monitoring professional licenses, certifications, and/or registration requirements applicable to MPP positions, in accordance with CSU directive HR 2003-26.

Completion date: June 30, 2005

COMPENSATION, BENEFITS, AND EMPLOYEE PROGRAMS

Recommendation 4

We recommend that the campus establish:

- a. Procedures for the administration of FML.
- b. Responsibilities and increase communication between HR and the payroll department to ensure sufficient tracking and documentation of FML requests.

Campus Response

The campus concurs with the recommendation and will develop and implement procedures to ensure adequate internal controls for the administration of family medical leave, including identification of responsibilities of the human resources and payroll departments related to the administration of FML.

Completion date: June 30, 2005

INFORMATION SECURITY

Recommendation 5

We recommend that the campus ensure that all employees with system access to confidential information have signed a security access authorization form and a confidentiality statement approved by the campus president or the vice president of administration and finance.

Campus Response

The campus concurs with the recommendation and will ensure that all employees approved for security access to confidential information systems have signed a security access authorization form and a confidentiality statement approved by the Vice President for Administration and Finance.

Completion date: June 30, 2005



THE CALIFORNIA STATE UNIVERSITY

 OFFICE OF THE CHANCELLOR

BAKERSFIELD

February 23, 2005

CHANNEL ISLANDS

CHICO

DOMINGUEZ HILLS

MEMORANDUM

FRESNO

FULLERTON

TO: Mr. Larry Mandel
University Auditor

HAYWARD

FROM: Charles B. Reed
Chancellor

HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 04-30 on *Human Resources*,
California State University, San Bernardino

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

In response to your memorandum of February 23, 2005, I accept the response as submitted with the draft final report on *Human Resources*, California State University, San Bernardino.

NORTHRIDGE

POMONA

SACRAMENTO

CBR/aml

SAN BERNARDINO

Enclosure

SAN DIEGO

cc: Dr. Albert K. Karnig, President
Mr. David DeMauro, Vice President for Administration and Finance

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS