

HUMAN RESOURCES

**CALIFORNIA STATE UNIVERSITY,
MONTEREY BAY**

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Members, Committee on Audit

Anthony M. Vitti, Chair
Roberta Achtenberg, Vice Chair
Herbert L. Carter Moctesuma Esparza
Debra S. Farar Bob Foster William Hauck
Raymond W. Holdsworth

Staff

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ABBREVIATIONS

CSU	California State University
CSUMB	California State University, Monterey Bay
GC	Government Code
HEERA	Higher Education Employee Relations Act
HIPAA	Health Insurance Portability and Accountability Act
HR	Human Resources
ISNS	Information Systems and Network Services
MPP	Management Personnel Plan
PIMS	Personnel/Payroll Management Information System
PPT	Personnel/Payroll Transactions
SAM	State Administrative Manual
UHR	University Human Resources

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, Monterey Bay campus from June 21, 2004, through July 23, 2004, and audited the procedures in effect at that time.

In our opinion, the administration and management of the human resources function needed improvement in areas such as developing and/or updating policies and procedures in critical operations areas; obtaining and documenting campus management's approval for recruitment, hiring, compensation, and employee benefit actions; and protecting confidential employee information. The campus had recently reorganized university human resources (UHR) and was confident that new technology, such as PeopleSoft and the online application system, would facilitate compliance and promote operating efficiencies.

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.

HUMAN RESOURCES ADMINISTRATION [6]

Although principal investigators were included in the annual filing process, neither UHR nor the grants and contracts department obtained a Principal Investigator Statement of Economic Interests (Form 700-U) at the beginning and/or completion of a project.

RECRUITMENT, SELECTION, AND HIRING [7]

Certain requisite policies and procedures that impact the recruitment, selection, and hiring function were either non-existent or outdated. Specifically, the campus had not developed policies and procedures for hiring non-faculty special consultants or procedures for verifying and reverifying employment eligibility. In addition, recruitment and hiring practices for faculty and staff did not always ensure that campus files were properly documented and in compliance with related policies and procedures; campus practices for hiring and compensating special consultants needed improvement; and professional licenses, certifications, and registration requirements had not been reverified by the campus or updated in applicable human resources systems.

COMPENSATION, BENEFITS, AND EMPLOYEE PROGRAMS [13]

Campus practices for processing employee compensation requests needed improvement. A review of ten compensation actions disclosed that the Request for Position Classification and Job Action Request forms did not always include all required approval signatures and the campus could not always provide clear justification for such actions. Additionally, a review of 15 employee fee waiver requests disclosed that the campus had not verified whether the employee or the employee's dependent, spouse, or domestic partner was in good academic standing; the Request for Fee Waiver form was not always signed by an

appropriate administrator; the release time section of the Request for Fee Waiver form was not always properly or fully completed; and the employee did not always complete a career development plan update. Lastly, the campus was inappropriately waiving the student body association fee for an employee's dependent, spouse, and domestic partner and had not taken steps to define responsibilities for reporting tax obligations for graduate level coursework taken by these individuals.

INFORMATION SECURITY [17]

The protection of confidential employee information maintained in UHR needed improvement. Specifically, the file cabinets that housed the open and closed staff and faculty recruitment files and faculty official personnel files were never locked; the master key to Building 23 and keys to the file cabinets that housed the staff official personnel files were maintained in the receptionist's unlocked desk drawer; and numerous campus personnel had key/card access to Building 23 without an apparent need. Finally, campus practices did not ensure timely and successful recovery of the human resources imaging system.

INTRODUCTION

BACKGROUND

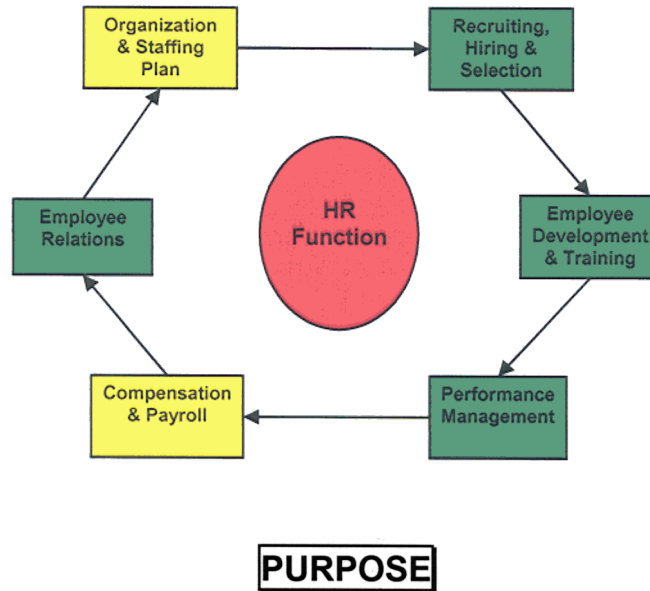
Human resources management is organizing, guiding, providing resources for, and interacting with employees. To be effective, the human resources function must be aligned with the organization's goals and objectives and administered in a manner that meets extensive legal and regulatory challenges. At 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.

- ▶ 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, Monterey Bay, the associate vice president of university human resources 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

HUMAN RESOURCES ADMINISTRATION

Conflict-of-interest forms were not obtained from all designated employees.

Although principal investigators were included in the annual filing process, neither university human resources (UHR) nor the grants and contracts department obtained a Principal Investigator Statement of Economic Interest (Form 700-U) at the beginning and/or completion of a project.

Government Code (GC) §87300 and §87302 state that every agency shall adopt and promulgate a Conflict of Interest Code pursuant to the provisions of this article and that each Conflict of Interest Code shall contain requirements that each designated employee file statements at times and under circumstances described in this section, disclosing reportable investments, business positions, interests in real property, and income.

California State University (CSU) directive Faculty and Staff Relations 86-05, *Conflict of Interest Policy for: Principal Investigator*, dated February 14, 1986, states, in part, that:

- ▶ Unlike business position financial disclosures, which occur when the incumbent enters or leaves the positions, as well as the annual April 1 filing, financial disclosure by principal investigators must take place whenever the faculty member applies for a non-governmental contract or grant. The first safeguard concerning principal investigator conflict-of-interest disclosure is that no non-governmental contract or grant may proceed without the principal investigator filing a financial statement (Fair Political Practices Commission Form 730-U).
- ▶ Disclosures must be made before the application is made for the non-governmental funded research contract or grant at the time of funding renewal of the research project, as well as within 90 days after the research project is complete.

CSU directive Human Resources (HR) 2004-06, *2004 Conflict of Interest Annual Filing*, dated February 13, 2004, states that the CSU's Conflict of Interest Code requires employees in designated positions to file a Statement of Economic Interests (Form 700) on an annual basis and that a Principal Investigator's Statement of Economic Interests (Form 700-U) should be made available to an employee "with principal responsibility for a research project funded or supported, in whole or in part, by the contract or grant (or other funds earmarked by the donor for a specific research project, or for a specific researcher) from a non-governmental entity."

The human resources manager for the California State University, Monterey Bay (CSUMB) Foundation stated that a process was in place to include various departments in the annual filing process; however, not obtaining the forms from principal investigators at the beginning and/or completion of a project was an oversight.

Failure to obtain conflict-of-interest forms from all designated persons could result in regulatory sanctions and potential fines and penalties.

Recommendation 1

We recommend that the campus obtain the required conflict-of-interest forms from all applicable principal investigators.

Campus Response

We concur. The following action has been taken in response to the recommendation:

The conflict-of-interest procedure has been updated to include the requirement that principal investigators complete the Statement of Economic Interest (Form 700-U) at the beginning and/or completion of a project, in addition to the annual filing requirement.

RECRUITMENT, SELECTION, AND HIRING

WRITTEN POLICIES AND PROCEDURES

The campus had not developed a policy or 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 associate vice president of university human resources stated that policies and procedures were in place to hire faculty special consultants; however, the lack of similar guidelines for hiring non-faculty personnel in these positions was an oversight. Regarding the verification and reverification of employment eligibility, she stated her belief that policies and procedures were in place in these areas and that further discussions would be held with the payroll and campus service center managers due to shared responsibilities in this area.

Failure to maintain effective policies and 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/or procedures for hiring non-faculty special consultants and procedures for the verification and reverification of employment eligibility.

Campus Response

We concur.

A procedure for hiring non-faculty special consultants will be developed no later than June 30, 2005. We would like to note that procedures for the verification and reverification of employment eligibility are clearly specified in the chancellor's office HR Coded Memo 94-28. As discussed, the associate vice president of university human resources will issue a directive to campus service center and payroll office personnel regarding the requirement to follow Coded Memo 94-28 procedures.

FACULTY AND STAFF FILES

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

During our review of three tenure-track searches, we found no evidence that the search committee verified the personal references of the semifinalists and/or the finalist. Additionally, we found that:

- ▶ In two instances, the Request to Recruit form did not evidence all required approval signatures.
- ▶ In two instances, the campus could not evidence that the search committee ranked the top applicants for interview or that the strengths and weaknesses of the non-finalists were included in the search committees' hiring recommendation to the dean.
- ▶ In one instance, the finalist and two non-finalists did not complete a request to release employment information.

As a result of our review of recruitment and official personnel files for eight represented and five non-represented (three Management Personnel Plan and two confidential) employees, we found that the campus could not provide:

- ▶ Clear evidence of the approval to hire three represented and one Management Personnel Plan (MPP) employee.
- ▶ Evidence that educational qualifications were verified for one of two applicable MPP employees.
- ▶ Evidence of the required physical agility test (and required waiver form) for one of two police department officers reviewed.

CSUMB Faculty Recruitment Protocol, dated August 1, 2000, states that the center dean completes the recruitment package (which consists of a Request to Recruit form and an approved position description), routes it for signatures, and submits it to the office of academic personnel. The protocol also states that candidates must grant permission for reference checks and these checks will be made on final candidates; search committees will rank their top applicants and provide this information to the chair of the committee for compilation; and the search committee will prepare a letter containing

narrative recommendations of the strengths and weaknesses of each interviewee and will forward a recommendation of one or more finalists to the dean of the center or other appropriate administrator.

CSUMB Staff and Administrator Recruitment Protocol, dated August 1, 2000, states that after a candidate is selected, the hiring manager, following consultation with HR, conducts at least two reference checks on the top candidate(s) and that HR routinely verifies educational degrees.

CSUMB University Police Department Manual dated August 7, 2003, states that candidates applying for a position as a police officer must successfully complete the following selection and test instruments: physical agility examination.

CSU directive HR 2003-06, *Selection of CSU Police Personnel and Police Officer Testing*, dated March 14, 2003, states that when undertaking the process to hire a sworn police officer or cadet, the university must follow the hiring process that includes, but is not limited to, a written examination (reading and writing tests) and a physical agility examination. The directive also states that the applicant must sign a waiver prior to taking the physical agility test.

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.

Regarding the faculty recruitment files, the recruitment manager stated that, due to organizational changes in the budget office, campus practice did not require approval signatures from the academic affairs budget office, as noted on the Request to Recruit form, and the other file exceptions were oversights. Regarding the staff recruitment files, the recruitment manager stated that management's approval to hire was typically received via the telephone and/or electronic mail. The chief of police stated that not maintaining evidence of the required physical agility test was an oversight.

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 3

We recommend that the campus:

- a. Enhance current training efforts for search committee chairs and other persons involved in the tenure-track recruitment function to ensure that personal references are verified for the semifinalists and the finalist; applicant ranking is performed and thorough documentation of the selection process is prepared; and requests to release information are obtained from applicants.
- b. Update internal approval forms to reflect campus practices for recruiting faculty and academic administrative positions.

- c. Clarify procedures for maintaining recruitment documentation within the college departments and/or UHR.
- d. Ensure that approvals to hire staff and administrators are sufficiently documented and verifications of educational qualifications are performed.
- e. Coordinate efforts between respective campus departments to ensure compliance with systemwide directives for hiring public safety officers.

Campus Response

We concur. The following actions have been or will be taken:

- a. Employment services will meet with tenure-track faculty committee chairs and search committees to ensure that all members are trained in appropriate search committee protocol and documentation procedures. A recruitment summary file checklist will be developed no later than June 30, 2005. This checklist will be completed by the committee chair and placed in the recruitment summary file to ensure that all file documentation is received in UHR.
- b. Internal approval forms will be updated by June 30, 2005, to reflect campus signature practices for recruiting faculty and academic administrative positions.
- c. As stated in "a" above, a checklist will be developed to ensure proper documentation is returned to and maintained in UHR.
- d. UHR has developed a signature sheet to record approvals for the hiring of staff and administrators. Employment services personnel will annotate the verification of educational qualifications by initialing and dating the degree(s) noted on the appointee's application form.
- e. A checklist will be developed no later than June 30, 2005, to ensure that systemwide procedures for hiring public safety officers are documented and met. The chief of police will forward the completed checklist under his/her signature to UHR.

SPECIAL CONSULTANTS

Campus practices for hiring and compensating special consultants needed improvement.

We reviewed the personnel and payroll files for five special consultants and found that:

- ▶ In three instances, the Special Consultant Agreement form was not dated, fully completed, and/or prepared and signed by the consultant and approved by the responsible administrator prior to the expiration of the appointment.
- ▶ In one instance, the special consultant indicated that the appointment was during a faculty/staff duty period and received a duplicate payment for one day's work.

- ▶ The payroll department received Special Consultant Vouchers from one employee up to three months after the work dates.
- ▶ For the one non-faculty consultant, the campus could not provide a Special Consultant Agreement form and the responsible vice president did not sign the justification memo for the assignment.

CSUMB *Guidelines for the Approval and Monitoring of Additional Faculty Employment*, dated August 2002, states that the special consultant approval form must be completed and fully approved prior to the beginning of the assignment, and it is in violation of CSU and campus policy to approve a special consultant assignment after the work has been completed. The guidelines also stated that the faculty member accepting an assignment as a special consultant and those approving the assignment must ensure that the required work is not done on a day when the faculty member is being paid for regular faculty duties.

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 associate vice president of university human resources stated that various campus departments share responsibility for this area and that academic personnel and payroll would perform more enhanced monitoring of special consultant activities, including compensation.

Inadequate control over the selection, hiring, and compensation of special consultants increases the risk of non-compliance with campus and CSU policy and possible monetary loss.

Recommendation 4

We recommend that the campus:

- a. Reissue campus guidelines for additional faculty employment to ensure that Special Consultant Agreement forms are timely and sufficiently prepared by campus employees and approved by responsible campus management prior to the beginning of an assignment, and Special Consultant Vouchers are submitted timely for payment and duplicate payments are not processed.
- b. Obtain properly approved Special Consultant Agreement forms from non-faculty personnel.

Campus Response

We concur. The following actions have been or will be taken:

- a. Campus guidelines for additional faculty employment appear as a link to the academic personnel website and are reissued once a year to deans and academic administrators in hard copy. These guidelines were reissued to department chairs, college analysts, department assistants, and staff and faculty on January 27, 2005, for spring semester 2005.
- b. Special consultant procedures for non-faculty personnel will be developed no later than June 30, 2005 (see recommendation 1). The procedures will specify the approval process for the Special Consultant form.

PROFESSIONAL LICENSE, CERTIFICATION, AND REGISTRATION REQUIREMENTS

The administration of requirements related to professional licenses, certifications, and registrations needed improvement.

Professional licenses, certifications, and/or California driver's licenses had not been reverified or updated in the Personnel/Payroll Management Information System (PIMS) for 8 of 28 employees sampled (whose positions required such certifications/licenses), nor were procedures in place to monitor this requirement.

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 incumbents possess the appropriate related qualifications.

The associate vice president of university human resources stated that the process for reverifying licenses, certifications, and/or driver's licenses was not clearly defined, given the PeopleSoft/PIMS environment.

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 5

We recommend that the campus define responsibility for reverifying professional licenses, certifications, and/or driver's licenses and implement monitoring controls to ensure prompt follow-up on potential expired items.

Campus Response

We concur. The following action has been taken in response to the recommendation:

The employment services manager has responsibility for reverifying professional licenses, certifications, and/or driver's licenses on a monthly basis using the PeopleSoft query system. Professional license information is then forwarded to the payroll department through the use of PeopleSoft Personnel/Payroll Transactions (PPT) forms. The payroll office will process the PPTs into the State Controller's Office database, which provides a check and balance with the PeopleSoft query.

COMPENSATION, BENEFITS, AND EMPLOYEE PROGRAMS

COMPENSATION REQUESTS

Campus practices for processing employee compensation requests needed improvement.

A review of ten compensation actions between November 2002 and March 2004 disclosed that:

- ▶ In two of six applicable instances, the Request for Position Classification form did not include all required approval signatures. In one instance, the form was not signed at all.
- ▶ In one of three applicable instances, the campus could not provide an approved Job Action Request.
- ▶ In three instances, the campus could not provide clear justification for the compensation action.

In addition, policies and procedures had not been established for the reassignment of MPP employees to new positions on the campus.

CSUMB Staff Compensation Programs – Campus Guidelines, dated July 2002, states that compensation reviews may be initiated by either a manager or an employee and that each request must include a Request for Position/Compensation Review form, which indicates that the request is supported by the division management.

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 recruitment manager stated that campus approval requirements had changed in the past few years and that current practice did not require the budget office's signature on the Request for Position

Classification forms. She also stated that although UHR worked closely with the department managers to process the compensation actions, the lack of clear justification was an oversight. Lastly, the recruitment manager stated that compensation guidelines needed revision to reflect current practices that were implemented in this area.

Inadequate administration of compensation actions increases the risk of unauthorized payments, poor staff morale, and employee complaints.

Recommendation 6

We recommend that the campus:

- a. Ensure that compensation actions are supported by appropriate documentation and evidence all required approvals.
- b. Develop, document, and communicate procedures for the reassignment of MPP employees to new positions.

Campus Response

We concur. The following actions have been or will be taken:

- a. Compensation actions will be supported by appropriate documentation. Request forms will be updated to reflect required signature approvals. These updated forms and signature requirements will be communicated to the campus no later than June 30, 2005.
- b. Procedures for the reassignment of MPP employees to new positions will be developed and communicated to management no later than June 30, 2005.

EMPLOYEE FEE WAIVERS

Campus practices did not ensure that employee fee waiver requests were processed in compliance with campus and CSU policies.

We reviewed employee fee waiver files for 15 employees and found that:

- ▶ In all instances, the campus inadvertently waived the student body association fee for the employee's dependent, spouse, and/or domestic partner.
- ▶ In all instances, the campus had not verified whether the employee or the employee's dependent, spouse, or domestic partner was in good academic standing.
- ▶ In five instances, the Request for Fee Waiver form was not signed by an appropriate campus administrator.

- ▶ In five of nine applicable instances, the release time section of the Request for Fee Waiver form, which included administrator approval of the release time, was either not completed or fully completed.
- ▶ In five of six applicable instances, the employee did not complete a career development plan update.

Lastly, we noted that the campus had neither defined responsibility nor implemented a process to report tax obligations for graduate level coursework taken by an employee's dependent, spouse, or domestic partner.

Executive Order 712, *Delegations of Authority and Procedures for the Administration of Fee Waivers and Reductions for Employee Training and Career Development*, dated January 1, 2000, states that the president or designee may approve the waiver and reduction of fees authorized by this executive order following determination by the president or designee that the course(s) for which the employee will enroll is (are) either directly related to the requirements of the employee's present position (job related) or is (are) part of an approved individual career development plan, and that in order for employees to continue to participate in this program, they must remain in good academic standing.

CSU directive HR/Benefits 2004-06, *CSU Employee Fee Waiver Program*, dated January 30, 2004, states that in accordance with the Education Code, the student body association fee cannot be waived or reduced for a spouse/domestic partner/dependent child, even if a collective bargaining agreement states otherwise, and that normal academic standing must be maintained by the spouse/domestic partner/dependent child in order to continue participating in the fee waiver program. The directive also states that undergraduate course levels are taxable benefits for an employee's domestic partner, and graduate course levels are taxable benefits for an employee's spouse, domestic partner, and/or dependent children.

CSUMB's *CSU Employee Fee Waiver Program Fact Sheet* states that the Request for Fee Waiver form should be completed, approved by the appropriate administrator, and submitted to the office of HR together with a career development plan, and that a career development plan update is required every semester thereafter.

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 professional development manager stated that a process had not been established to verify whether the employee or the employee's dependent, spouse, or domestic partner was in good academic standing and that the lack of review to ensure fee waiver forms were properly completed, approved, and included applicable career development plan updates submitted by the employees

were oversights. He also stated that, prior to the audit, the campus began researching the tax reporting issue, since other departments shared some components of the process. The cashiering and student accounting services manager stated that she was unfamiliar with the Education Code requirement regarding the student body association fee.

Inadequate administration of the employee fee waiver program increases the risk of unauthorized benefit payments and possible non-compliance with tax regulations.

Recommendation 7

We recommend that the campus:

- a. Research and correct the applicable codes within the student billing system to ensure that student body association fees are not waived for an employee's dependent, spouse, and/or domestic partner.
- b. Implement a process to verify whether an employee or their dependent, spouse, or domestic partner is in good academic standing.
- c. Ensure that employee fee waiver request forms are properly completed, approved by appropriate campus administrators, and accompanied by applicable career development plan updates.
- d. Define, document, and communicate responsibility for reporting tax obligations for graduate level coursework taken by an employee's dependent child, spouse, or domestic partner.

Campus Response

We concur. The following actions have been taken in response to the recommendations:

- a. The accounting office, in consultation with the fee waiver coordinator (professional development manager), reviewed the applicable fees charged to fee waiver program participants and have corrected the codes in the student billing system to ensure that the appropriate fees are charged, including student body association fees to employee's dependent, spouse, and/or domestic partner. An announcement will be issued in spring 2005 providing details about the fees charged to fee waiver participants.
- b. The fee waiver coordinator has instituted a practice of requesting verification of grades from all participants before their fee waiver form is approved. Verbal notice is followed by unofficial transcript/grade reports.
- c. The fee waiver coordinator has renewed the practice of ensuring that the form is properly completed before approving each request. Forms that do not have all the appropriate signatures, career development plans or updates, and release time information are returned to the employee for completion before processing.

- d. By agreement between the payroll manager and the cashiering and student accounting manager, both will submit and verify tax information each semester after the census date. Payroll has the responsibility for reporting information as part of the year-end tax-reporting process. The campus has submitted its report for 2004 to the State Controller's Office. A process map documenting the process and responsibility for tax reporting will be created by April 1, 2005.

INFORMATION SECURITY

PHYSICAL SECURITY

The protection of confidential employee information maintained in UHR needed improvement.

We noted that:

- ▶ File cabinets that housed the open and closed staff and faculty recruitment files and faculty official personnel files were never locked.
- ▶ The master key to Building 23 and keys to the file cabinets that housed the staff official personnel files were maintained in the receptionist's unlocked desk drawer. These keys were accessible to custodians and other personnel with after-hour access to the building.
- ▶ Numerous campus personnel had key/card access to Building 23 without an apparent need.

CSU 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 associate vice president of university human resources stated that department procedures had been implemented to lock the file cabinets that house open and closed staff and faculty recruitment files; however non-compliance with such procedures was an oversight. She also stated that she was unaware of the widespread key/card access to Building 23.

Inadequate control over recruitment information and key/card assignment 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.

During the audit, the campus took immediate action to rekey the file cabinets that housed the open and closed staff and faculty recruitment files and implemented procedures to lock the cabinets when not in use.

Recommendation 8

We recommend that the campus:

- a. Provide proper protection of critical keys that are maintained by the UHR receptionist.
- b. Take immediate action to correct inappropriate key/card assignments to Building 23 and implement appropriate processes with internal campus departments to ensure such keys are only assigned to persons with apparent need.

Campus Response

We concur. The following actions have been taken in response to the recommendations:

- a. Critical keys are no longer located in the UHR receptionist area. A lockbox has been purchased and installed in the supply room, a non-public area of the office, to hold the master keys:
- b. Key/card access has been reviewed and updated for Building 23. Only the associate vice president of university human resources can approve key/card access to the building.

DATA SECURITY AND DISASTER RECOVERY PLAN

Campus practices did not ensure timely and successful recovery of the HR imaging system.

We noted that:

- ▶ The ACORDE imaging system was backed up on a daily basis to an optical disk; however, the backup optical disk was maintained in a non-rated fire cabinet in the server room.
- ▶ Although a draft information technology disaster recovery plan had been developed to ensure that imaged HR data would be available for recovery, the plan had not been implemented.

State Administrative Manual (SAM) §4843.1 requires each state agency to establish and maintain both an operational recovery plan to protect its information assets in the event of a disaster or serious disruption to its operations and a plan to resume operation following a disaster affecting those applications.

Executive Order 696, *Implementation of The CSU Emergency Preparedness Program*, dated January 29, 1999, states, in part, that each campus president is delegated the responsibility for implementing an emergency management system program on campus and shall ensure that management activities are accomplished, including, but not limited to, maintenance and regular

updating of the institutional emergency management system plan and determination, acquisition, and maintenance of facilities, equipment, and related supplies required for emergency preparedness.

The associate director of information systems and network services stated that, due to system constraints, the campus had not been able to fully implement a disaster recovery plan for the ACORDE imaging system. He further stated that the campus was discussing this issue with the vendor.

Without a detailed information technology disaster recovery plan for the HR imaging system, which includes, but is not limited to, protection of backup optical disks, the campus may not be able to restore the system within a reasonable time frame, or at all.

Recommendation 9

We recommend that the campus:

- a. Take steps to move the backup media for the ACORDE imaging system to an off-site location.
- b. Ensure that a tactical implementation plan is in place to provide recovery of imaged HR data.

Campus Response

We concur. The following actions have been or will be taken:

- a. Information technology will make arrangements to include the ACORDE backup disks as part of our off-site storage practices, which we currently do for our other critical application backups. Information systems staff will meet during the month of February 2005 with the ACORDE vendor (and UHR staff) to discuss and develop a new methodology for backup of imaged data. An implementation plan will be developed and presented for executive review no later than June 30, 2005.
- b. Information systems staff will meet during the month of February 2005 with the ACORDE vendor (and UHR staff) to discuss and develop a tactical plan for recovery of imaged HR data. It is our intention to have that implementation plan ready by March 15, 2005, and be able to execute or demonstrate that plan by April 15, 2005. An implementation plan will be developed and presented for executive review no later than June 30, 2005.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Peter P. Smith	President
Debra Barbe	Administrative Analyst, University Police
Linda Beam	Recruitment Manager
Terry Burns	Workers Compensation Analyst, University Human Resources (UHR)
Marie Camacho	Accounts Receivable Technician, Accounting
Veronica Flores	Campus Service Center and Quality Improvement Manager
Christine Frederick	Manager, Cashiering and Student Accounting Services
Gretchen Fuentes	Director, UHR Operations
Fred Hardee	Chief of Police
Dennis Hungridge	Professional Development Manager
Dan Johnson	Vice President for Administration and Finance
Gehane Kiama	Manager, Human Resources, CSUMB Foundation
April Lee	Assistant to the Associate Vice President, UHR
Jay McTaggart	Lieutenant, University Police
Melissa Mercado	Academic Personnel Coordinator, UHR
Ed Munoz	Business Systems Analyst, Information Systems and Network Services (ISNS)
Roda Myers	Human Resources Information Systems Analyst, UHR
Seth Pollack	Director, Service Learning Institute
Nathan Ricks	Student Affairs Database Administrator, ISNS
Barbara Roberts	Payroll Technician
Mary Roberts	Director, Academic Personnel
Wesley Scheibly	Payroll Manager, UHR
Janie Silveria	Librarian
Ronald Smith	Associate Director, ISNS
Richard Taylor	Director, Business and Support Services
Toni Uribe	Benefits Assistant, UHR
Linda Wight	Associate Vice President, UHR
Karen Williams	Recruitment Coordinator
Lynn Yee	Customer Service Specialist, Campus Service Center



CALIFORNIA STATE UNIVERSITY
Monterey Bay

OFFICE OF THE VICE PRESIDENT
FOR ADMINISTRATION AND FINANCE

February 3, 2005

RECEIVED
UNIVERSITY AUDITOR

FEB - 4 2005

THE CALIFORNIA STATE
UNIVERSITY

Mr. Larry Mandel
University Auditor
California State University
401 Golden Shore, 4th Floor
Long Beach, California 90802

Re: Response to Human Resources Audit Report 04-27

Dear Larry:

Please find enclosed California State University, Monterey Bay's response to the above report. The campus concurs with the audit recommendations and is already taking corrective action to address all of the findings.

We will be providing documentation under separate cover to evidence completion of some of the items to date.

Please let me know if we can provide you with any additional information.

Sincerely,

Dan Johnson
Vice President for Administration and Finance

Enclosure

cc: Peter Smith, President
Linda Wight, AVP, University Human Resources
Janice Mirza, Senior Director, Office of the University Auditor

HUMAN RESOURCES
CALIFORNIA STATE UNIVERSITY,
MONTEREY BAY

Report Number 04-27

HUMAN RESOURCES ADMINISTRATION

Recommendation 1

We recommend that the campus obtain the required conflict-of-interest forms from all applicable principal investigators.

Campus Response

We concur. The following action has been taken in response to the recommendations.

The Conflict of Interest procedure has been updated to include the requirement that Principal Investigators complete the Statement of Economic Interest (Form 700-U) at the beginning and/or completion of a project, in addition to the annual filing requirement.

RECRUITMENT, SELECTION, AND HIRING

WRITTEN POLICIES AND PROCEDURES

Recommendation 2

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

Campus Response

We concur.

A procedure for hiring non-faculty special consultants will be developed no later than June 30, 2005. We would like to note that procedures for the verification and reverification of employment eligibility are clearly specified in Chancellor's Office HR Coded Memo 94-28. As discussed, the Associate Vice President for University Human Resources will issue a directive to Campus Service Center and Payroll Office personnel regarding the requirement to follow Coded Memo 94-28 procedures.

FACULTY AND STAFF FILES

Recommendation 3

We recommend that the campus:

- a. Enhance current training efforts for search committee chairs and other persons involved in the tenure-track recruitment function to ensure that personal references are verified for the semifinalists and the finalist; applicant ranking is performed and thorough documentation of the selection process is prepared; and requests to release information are obtained from applicants.
- b. Update internal approval forms to reflect campus practices for recruiting faculty and academic administrative positions.
- c. Clarify procedures for maintaining recruitment documentation within the college departments and/or UHR.
- d. Ensure that approvals to hire staff and administrators are sufficiently documented and verifications of educational qualifications are performed.
- e. Coordinate efforts between respective campus departments to ensure compliance with systemwide directives for hiring public safety officers.

Campus Response

We concur. The following actions have been or will be taken.

- a. Employment Services will meet with tenure-track faculty Committee Chairs and Search Committees to ensure that all members are trained in appropriate search committee protocol and documentation procedures. A recruitment summary file checklist will be developed no later than June 30, 2005. This checklist will be completed by the Committee Chair and placed in the recruitment summary file to ensure that all file documentation is received in UHR.
- b. Internal approval forms will be updated by June 30, 2005, to reflect campus signature practices for recruiting faculty and academic administrative positions.
- c. As stated in "a" above, a checklist will be developed to ensure proper documentation is returned to and maintained in University Human Resources.
- d. University Human Resources has developed a signature sheet to record approvals for the hiring of staff and administrators. Employment Services personnel will annotate the verification of educational qualifications by initialing and dating the degree(s) noted on the appointee's application form.
- e. A checklist will be developed no later than June 30, 2005, to ensure that systemwide procedures for hiring public safety officers are documented and met. The Chief of Police will forward the completed checklist under his/her signature to University Human Resources.

SPECIAL CONSULTANTS

Recommendation 4

We recommend that the campus:

- a. Reissue campus guidelines for additional faculty employment to ensure that Special Consultant Agreement forms are timely and sufficiently prepared by campus employees and approved by responsible campus management prior to the beginning of an assignment, and Special Consultant Vouchers are submitted timely for payment and duplicate payments are not processed.
- b. Obtain properly approved Special Consultant Agreement forms from non-faculty personnel.

Campus Response

We concur. The following actions have been or will be taken.

- a. Campus guidelines for additional faculty employment appear as a link to the Academic Personnel website and are reissued once a year to Deans and Academic Administrators in hardcopy. These guidelines were reissued to Department Chairs, College Analysts, Department Assistants, and Staff and Faculty on January 27, 2005, for Spring semester 2005.
- b. Special Consultant procedures for non-faculty personnel will be developed no later than June 30, 2005 (see Recommendation 1). The procedures will specify the approval process for the Special Consultant form.

PROFESSIONAL LICENSE, CERTIFICATION, AND REGISTRATION REQUIREMENTS

Recommendation 5

We recommend that the campus define responsibility for reverifying professional licenses, certifications, and/or driver's licenses and implement monitoring controls to ensure prompt follow-up on potential expired items.

Campus Response

We concur. The following action has been taken in response to the recommendations.

The Employment Services manager has responsibility for reverifying professional licenses, certifications, and/or driver's licenses on a monthly basis using the PeopleSoft query system. Professional license information is then forwarded to the Payroll Department through the use of PeopleSoft Payroll/Personnel Transactions forms. The Payroll Office will process the PPTs into the State Controller's Office database, which provides a check and balance with the PeopleSoft query.

COMPENSATION, BENEFITS, AND EMPLOYEE PROGRAMS

COMPENSATION REQUESTS

Recommendation 6

We recommend that the campus:

- a. Ensure that compensation actions are supported by appropriate documentation and evidence all required approvals.
- b. Develop, document, and communicate procedures for the reassignment of MPP employees to new positions.

Campus Response

We concur. The following actions have been or will be taken.

- a. Compensation actions will be supported by appropriate documentation. Request forms will be updated to reflect required signature approvals. These updated forms and signature requirements will be communicated to the campus no later than June 30, 2005.
- b. Procedures for the reassignment of MPP employees to new positions will be developed and communicated to management no later than June 30, 2005.

EMPLOYEE FEE WAIVERS

Recommendation 7

We recommend that the campus:

- a. Research and correct the applicable codes within the student billing system to ensure that student body association fees are not waived for an employee's dependent, spouse, and/or domestic partner.
- b. Implement a process to verify whether an employee or their dependent, spouse, or domestic partner is in good academic standing.
- c. Ensure that employee fee waiver request forms are properly completed, approved by appropriate campus administrators, and accompanied by applicable career development plan updates.
- d. Define, document, and communicate responsibility for reporting tax obligations for graduate level coursework taken by an employee's dependent child, spouse, or domestic partner.

Campus Response

We concur. The following actions have been taken in response to the recommendations.

- a. The Accounting Office, in consultation with the Fee Waiver Coordinator (Professional Development Manager), reviewed the applicable fees charged to fee waiver program participants and have corrected the codes in the student billing system to ensure that the appropriate fees are charged, including student body association fees to employee's dependent, spouse and/or domestic partner. An announcement will be issued in spring 2005 providing details about the fees charged to fee waiver participants.
- b. The Fee Waiver Coordinator has instituted a practice of requesting verification of grades from all participants before their fee waiver form is approved. Verbal notice is followed by unofficial transcript/grade reports.
- c. The Fee Waiver Coordinator has renewed the practice of ensuring that the form is properly completed before approving each request. Forms that do not have all the appropriate signatures, career development plans or updates, and release time information are returned to employee for completion before processing.
- d. By agreement between the Payroll Manager and the Cashiering and Student Accounting Manager, both will submit and verify tax information each semester after the census date. Payroll has the responsibility for reporting information as part of the year-end tax-reporting process. The campus has submitted its report for 2004 to the State Controller's Office. A process map documenting the process and responsibility for tax reporting will be created by April 1, 2005.

INFORMATION SECURITY

PHYSICAL SECURITY

Recommendation 8

We recommend that the campus:

- a. Provide proper protection of critical keys that are maintained by the UHR receptionist.
- b. Take immediate action to correct inappropriate key/card assignments to Building 23 and implement appropriate processes with internal campus departments to ensure such keys are only assigned to persons with apparent need.

Campus Response

We concur. The following actions have been taken in response to the recommendations.

- a. Critical keys are no longer located in the University Human Resources receptionist area. A lockbox has been purchased and installed in the supply room, a non-public area of the office, to hold the Master keys.

- b. Key/card access has been reviewed and updated for Bldg. 23. Only the Associate Vice President for University Human Resources can approve key/card access to the building.

DATA SECURITY AND DISASTER RECOVERY PLAN

Recommendation 9

We recommend that the campus:

- a. Take steps to move the backup media for the ACORDE imaging system to an offsite location.
- b. Ensure that a tactical implementation plan is in place to provide recovery of imaged HR data.

Campus Response

We concur. The following actions have been or will be taken.

- a. Information Technology will make arrangements to include the ACORDE backup disks as part of our offsite storage practices, which we currently do for our other critical application backups. Information Systems staff will meet during the month of February 2005 with the ACORDE vendor (and UHR staff) to discuss and develop a new methodology for backup of imaged data. An implementation plan will be developed and presented for executive review no later than June 30, 2005.
- b. Information Systems staff will meet during the month of February 2005 with the ACORDE vendor (and UHR staff) to discuss and develop a tactical plan for recovery of imaged HR data. It is our intention to have that implementation plan ready by March 15, 2005, and be able to execute or demonstrate that plan by April 15, 2005. An implementation plan will be developed and presented for executive review no later than June 30, 2005.



THE CALIFORNIA STATE UNIVERSITY

 OFFICE OF THE CHANCELLOR

BAKERSFIELD

February 15, 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 04-27 on *Human Resources*,
California State University, Monterey Bay

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

In response to your memorandum of February 15, 2005, I accept the response as submitted with the draft final report on *Human Resources*, California State University, Monterey Bay.

NORTHRIDGE

POMONA

SACRAMENTO

CBR/aml

SAN BERNARDINO

Enclosure

SAN DIEGO

cc: Dr. Peter P. Smith, President

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS