



UNIVERSITY INTERNAL AUDIT

Newsletter Issue No. 7, September 2021

This newsletter is used to communicate news and items of interest to the campus management. If you have any suggestions or topics you would like us to address in future issues, please contact us at InternalAudit@calstatela.edu with "Newsletter" as the subject.

In this issue:

- Credit Card Review
- HR/Payroll Review

Contact

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REMINDERS

Notify the University Internal Auditor if:

- ◆ There is an actual or suspected fiscal impropriety.
- ◆ You are contacted by an external agency of an audit or investigation.
- ◆ You see an improper Governmental Activity and/or a Significant Threat to Health or Safety on campus.

CREDIT CARD REVIEW

The Office of Audit and Advisory Services (A&AS) from the Chancellor's Office (CO) completed the credit card review at 23 CSU campuses and the CO. The review period was April 1, 2020 to March 31, 2021. The review mainly was to ascertain the effectiveness of operation and administrative controls related to credit cards. The goals were to proactively address campuses and systemwide risks and timely identify any improper activities in the credit card programs. A&AS performed analytical data tests to see if there were:

1. Separated employees with active credit cards;
2. Credit card transactions that were over the single or monthly purchase limits;
3. Splitting of purchases to override the card holder's transaction limit; and
4. Unallowable transactions.

For Cal State LA, there was no significant finding noted. For the CSU system overall, there were no improper activities noted. However, A&AS recommended that the campuses strengthen the controls surrounding the separation process to ensure that employee credit cards are deactivated upon separation, provide reminders or training on procurement and travel card policies, and review accounts identified in the seldom used and maximum usage tests to determine whether accounts should be closed due to inactivity and/or if credit limits should be decreased to limit the credit exposure of the campus.

HR/PAYROLL REVIEW

A&AS completed fieldwork at four pilot campuses. Based on the results of these reviews, A&AS will refine analytical tests to perform the HR/Payroll review on the remaining CSU campuses. The objectives of the HR/Payroll review were to validate data between the PeopleSoft HR and PIMS systems, ascertain the effectiveness of payroll processing controls, and determine whether payments were made in compliance with relevant policies and procedures.

A&AS tested five categories:

1. HR/Payroll data validation: amounts paid to employees are properly recorded and payments are made to valid employees.
2. Payment anomalies: controls surrounding duplicate payments are adequate and payments are appropriate (e.g., high-dollar payments and high overtime hours).
3. Employee anomalies: payments are made to valid employees, controls surrounding related party transactions or fictitious vendors are adequate, and additional employment payments are appropriately supported with required documents.
4. Compliance of HR and Payroll controls: compliance with limits on hours worked by students, overtime payments are not paid to exempt employees, and payments are appropriate for employees with multiple salary increases of the same type.
5. Employee leave: compliance with vacation maximum accruals and vacation is recorded appropriately.

Issues identified from the pilot reviews were:

- A student employee worked in a position under the supervision or control of an immediate family member.
- Processes to pay University Police Department were not always well defined, or supporting documents for the hours worked were not always sufficient. Also, there appeared to be no defined or consistent method across campuses.
- Departments allowed students to work more than 20 hours per week during the academic year.
- Employees did not properly report vacation taken.
- Overtime was paid to an exempt employee.
- Employees had high overtime hours (e.g., over 400 hours in one year).