

**The University of North Carolina System
Annual Summary of Internal Audit Activity
For Year Ended June 30, 2008**

Item 3

Specific Audits	Number of Audits	Audit Status				Significant Audit Findings
		Complete	In Process	Pending	Cancelled	
Information System Controls						
Banner System	15	6	2	5	2	
Disaster Recovery Plans	6	4	1	1		1
Information Technology Center	2	1		1		
Peripheral Systems	12	3	5	3	1	
Internal Control Testing and/or Reviews						
Accounts Payable and Disbursements	1		1			
Bank Reconciliations	3	3				
Capital Assets	4	2		2		
EAGLE Testing	3		3			
Financial Aid	3	2			1	1
Inventory Verification	8	7		1		
Payroll, Employee Pay and Separation	1			1		
Petty Cash and Cashiering	14	9	3	2		
Policy Creation	4	2	1		1	
Procurement Card	5	4		1		1
Revenue and Expenses	8	4	2	2		
Self Assessment of Internal Control	21	16	2		2	
Sponsored Programs	2	1			1	
Travel	1	1				
Departmental Audits and/or Reviews						
Admissions	2	1		1		
Associated Entities	1				1	
Athletics	2	1		1		1
Business and Finance	37	21	6	7	3	2
Colleges, Schools, Camps and Centers	20	7	2	9	2	
Development and Advancement	1	1				
Human Resources	1	1				
Student Activities	1			1		
Special Investigations (i.e. Misuse or Misappropriation of Assets)						
Various	82	57	23	1	1	17
Special Assignments						
Various	22	15	1	5	1	1
Audit Findings Follow-up						
Internal Audit Issues	53	37	7	7	2	4
Office of the State Auditor Findings	15	13	1		1	3
Compliance Audits						
Brody School of Medicine Regulatory Compliance Office	1			1		
Business and Finance	27	17	1	8	1	1
Cellular Phone and Internet	2				2	
Contracts and Grants	9	6		2	1	
Design and Construction	1	1				
Endowment and Gift Administration	1		1			
Financial Aid	3	3				
Human Resources	9	6	1	2		
Information Privacy Standards	2			1	1	
National Collegiate Athletic Association	3	3				
Lapsed Salary/Management Flexibility						
Carry-forward, Lapsed Salary, and Management Budget Flexibility	14	7	2	1	4	1
Total Audits	422 (1)	262	65	66	28	33

(1) This total includes 109 audits added to the original plan.

Appalachian State University
Internal Audit Summary
For the Year Ended June 30, 2008

Specific Audits	Number of Audits	Audit Status				Significant Audit Findings ⁽²⁾
		Complete	In Process	Pending	Cancelled	
Information System Controls						
Banner System	1		1			
Disaster Recovery Plans	1	1				
Peripheral Systems	1		1			
Internal Control Testing and/or Reviews						
Self Assessment of Internal Control	1	1				
Petty Cash and Cashiering	1	1				
Capital Assets	1	1				
Inventory Verification	1	1				
Travel	1	1				
Procurement Card	1 ⁽¹⁾	1				
Bank Reconciliations	1	1				
Departmental Audits and/or Reviews						
Business and Finance	6 ⁽¹⁾	3		3		1
Colleges, Schools, Camps and Centers	2			2		
Athletics	1	1				1
Special Investigations (i.e. Misuse or Misappropriation of Assets)						
Various	2	2				
Special Assignments						
Audit Findings Follow-up						
Internal Audit Issues	1	1				
Office of the State Auditor Findings	1	1				
Compliance Audits						
Financial Aid	1	1				
Human Resources	3	2	1			
Total Audits	27	19	3	5	0	2

(1) Three audits added to the original plan

(2) Findings, recommendations, and corrective actions attached

APPALACHIAN STATE UNIVERSITY
Summary of Significant Audit Findings
For the Year Ended June 30, 2008

1. Athletics

Finding:

Several purchases were made without proper documentation such as purchase orders, procurement requests or invoices. There were also purchases made without obtaining bids. This finding has been noted for the past two years.

Recommendation:

The Department of Athletics should take greater care in documenting their disbursements and follow University procedures.

Corrective Action:

Noticeable improvement has been made in this area and the Athletics Department has implemented new procedures to help alleviate this problem. Internal Audit will continue to monitor this area.

2. Appalachian Family Innovations

Finding:

The relationship between ASU and Appalachian Family Innovations (an Institute established by ASU in 1980) has weakened to a point where it is questionable as to whether it is allowable under NC General Statutes; in addition, Appalachian Family Innovations (AFI) is operating with an extremely large deficit.

Recommendation:

The relationship between ASU and AFI should be strengthened and steps should be taken to reduce and eventually eliminate the deficit.

Corrective Action:

A new director for AFI was hired in July 2008 and in addition the governance has been changed from the College of Education to the ASU Institute of Health and Human Services. This Institute and the new director of AFI have been charged with improving the connection between ASU and AFI and improving the financial condition of AFI.

**East Carolina University
Internal Audit Summary
For the Year Ended June 30, 2008**

Specific Audits	Number of Audits	Audit Status				Significant Audit Findings ⁽²⁾
		Complete	In Process	Pending	Cancelled	
Information System Controls						
Banner System	3	2		1		
Disaster Recovery Plans	1	1				
Information Technology Center	1	1				
Internal Control Testing and/or Reviews						
EAGLE Testing	1		1			
Self Assessment of Internal Control	1		1			
Petty Cash and Cashiering	1		1			
Accounts Payable and Disbursements	1		1			
Financial Aid	2	2				1
Policy Creation	2 ⁽¹⁾	1	1			
Sponsored Programs	1				1	
Departmental Audits and/or Reviews						
Admissions	1	1				
Associated Entities	1				1	
Business and Finance	3 ⁽¹⁾		2	1		
Colleges, Schools, Camps and Centers	6 ⁽¹⁾	3	1		2	
Special Investigations (i.e. Misuse or Misappropriation of Assets)						
Various	30 ⁽¹⁾	20	10			4
Special Assignments						
Audit Findings Follow-up						
Internal Audit Issues	21 ⁽¹⁾	15	4	1	1	3
Office of the State Auditor Findings	2 ⁽¹⁾	2				
Compliance Audits						
Brody School of Medicine Regulatory Compliance Office	1			1		
Information Privacy Standards	1				1	
Lapsed Salary/Management Flexibility						
Carry-forward, Lapsed Salary and Management Budget Flexibility	1		1			1
Total Audits	81	48	23	4	6	9

(1) Nineteen audits added to the original plan

(2) Findings, recommendations, and corrective actions attached

**EAST CAROLINA UNIVERSITY
Summary of Significant Audit Findings
For the Year Ended June 30, 2008**

1. Student Financial Aid – Managing Funds (Issued 07/24/07)

Finding:

The system of internal controls with regard to the Federal Perkins Loans could be strengthened in order to mitigate risks and meet the objectives and goals of management. There was a lack of a written policy and procedure manual and a lack of supporting documentation to support the grace period notification, loan cancellations, and forbearance.

Recommendation:

ECU Student Loans Office should develop and implement a departmental policies and procedures manual for the administration of federal financial aid programs. Management should maintain the appropriate documentation to support the grace period notification, loan cancellations, and forbearance with regard to the Federal Perkins Loans.

Corrective Action:

Management will develop and implement a policy and procedure manual by June 30, 2008. Management will revise its documentation standards by September 30, 2007.

2. Re-admittance of Student (Issued 04/21/08-Management Requested)

Finding:

The University re-admitted a student that had been convicted by the North Carolina Court System of a financial crime against East Carolina University. While reviewing the issues surrounding the re-admittance of this student, the Office of Internal Audit noted weaknesses in the system of internal control with regard to the re-admit process. We found (1) no central repository for disciplinary actions regarding students, (2) lack of proper controls to ensure the Office of Student Rights and Responsibilities (OSRR) receives disciplinary information that is disclosed on student admission applications, and (3) questionable access to the Banner system to add and release holds on student records, as well as an appropriate audit trail of changes.

Recommendation:

There should be a central repository of disciplinary actions regarding students to ensure that judicial actions and admittance of students is not

made in isolation and considers all pertinent information. Continue with formal approval and implementation of policy, "Review of Disciplinary Information Disclosed on East Carolina University Admission Applications" and determine if an automated control can be implemented with regard to OSRR receiving student admission applications. Review the number of users who have the capability to add and remove holds on student records to determine if they are excessive and determine if Banner System can capture the userid of who releases a hold on a student record.

Corrective Action:

Concur with recommendation concerning central repository. The repository should be established by January 2009. Draft policy will be formalized by August 2008. Concur with recommendation concerning removing holds on student records. The completion date is consistent with new policy implementation date of August 2008.

3. Receipt of Aid by Relative of Athletics' Employee (Issued 11/01/07)

Finding:

A non-athlete student who is a relative of an employee of Athletics received \$25,000 in financial assistance from the Athletics Department. We could not locate a specific policy these actions violated as there are no policies, procedures, and/or criteria for awarding aid to non-athlete students. However, there is, at the minimum, the perception that the relative of an employee of Athletics is treated differently with regard to the amount of aid this student receives in comparison to other non-athlete students in similarly situated positions.

Recommendation:

Current trends indicate that the public is demanding more and more accountability from public entities. Therefore, a prudent public stewardship approach should be taken when expending Athletic funds and one has to ask if this is an appropriate expenditure with regard to a relative of an employee of Athletics. We recommend the University review the aid awarded to this student and determine if this is an appropriate expenditure. It should also be determined if it is in the best interest of the University for this student to be employed in the Athletics Department. Further, the University should develop and implement written policies, procedures, and criteria for awarding aid to students that is currently being awarded and processed outside of the University Student Financial Aid Office.

Corrective Action:

The University has reviewed the aid awarded and determined it was an inappropriate expenditure. The University further determined that it is not in the best interest of the University for this student to be employed in the Athletics Department. Appropriate action has been taken.

The Senior Executive Director of Enrollment Management will immediately be assigned the responsibility of developing and implementing written policies, procedures, and criteria for awarding aid to students that is currently being awarded and processed outside of the University Student Financial Aid Office.

Auditor's Note:

The employee reimbursed the University \$25,000. Management indicates that the Senior Executive Director of Enrollment Management has assumed the responsibility noted above.

4. Division of Health Sciences – Employee Expenses and Use of Resources (Issued 05/07/08)

Finding:

Evidence was obtained that a management-level employee paid for a PhD program at another institution using a University purchasing card, and used other University resources for personal benefit. The review also revealed the use of University time to engage in non-university activities, a pattern of non-compliance with expense review and approval procedures, and a general lack of management oversight in the affected department.

Approximate total funds in question - \$20,000.

Recommendation:

Management should seek reimbursement of the funds that was spent on tuition and books for the employee's doctoral program. Management should also consult with Human Resources and the University Attorney's Office regarding the appropriate personnel action. The University Attorney's Office should determine if a report needs to be filed with the North Carolina State Bureau of Investigation.

Management should implement controls to ensure that all department expenditures are reviewed and approved by a person at least one level above the person making the expenditure.

Corrective Action:

Management concurs with the recommendation and will consult with Human Resources and the University Attorney's Office. Management will ensure that expenditure review and approval procedures are implemented, consistent with University policies and procedures.

Auditor's Note:

The employee in question is no longer employed with the University and this department has undergone an organizational reporting change.

5. Division of Academic Affairs – Faculty Course Materials (Issued 08/24/07-Management Requested)

Finding:

A University faculty member sold course materials and software directly to students without approval and without disclosing this potential conflict of interest as required by the *Faculty Manual*. The faculty member directly profited from these transactions. We could not conclude on the exact amount of revenue generated but our review did reveal the faculty member received at least \$10,000 from students. It was also determined the software sold to students were copies of a commercial software application that was not licensed versions of the software. The Office of Internal Audit notified the University Attorney and the applicable law enforcement agencies concerning these findings.

Recommendation:

Management should coordinate with Human Resources and the University Attorney's Office regarding the appropriate personnel action.

Corrective Action:

Management will consult with Human Resources and the University Attorney's Office.

Auditor's Note: This faculty member is no longer employed with the University.

6. Special Responsibility Constituent Institution/UNC Management Flexibility 2006/2007 (Issued 11/11/07)

Finding:

Of the SRCI actions reviewed, we found an exception with regard to the use of lapsed salary dollars. A total of \$3,537,595 was reallocated from lapsed salary dollars to various non-state funded accounts to support permanently funded salaries and benefits for various employees. The Office of Internal Audit views permanently funded positions as recurring purposes or line items and believes this practice of reallocating funds places the University in a position of non-compliance with the applicable legislation.

Recommendation:

We recommend the practice of reallocating lapsed salary dollars to permanently funded positions be discontinued starting with the 2007-2008 fiscal year. For salary purposes, lapsed salary dollars may be used only for contract and temporary employees. The East Carolina University Guideline and Procedure Statement, "Budget Entries Allowed under Management Flexibility Legislation" should be updated to state that lapsed salary dollars can not be used to support permanently funded positions.

Corrective Action:

In order to insure compliance with North Carolina General Statute § 143C-6-9 effective July 1, 2007, management will update the East Carolina University Guideline and Procedure Statement, "Budget Entries Allowed under Management Flexibility Legislation" and have implemented by December 15, 2007.

Note: The Office of Internal Audit and Management Advisory Services performs follow-up reviews of all significant recommendations as required by our professional standards. Recommendations that were not satisfactorily resolved at the time of follow-up are included below.

7. Second Follow-up on ECU Police Department (Issued 11/11/07)

Finding:

In March 2005, we issued an audit report that contained twelve recommendations with regard to several areas within the ECU Police Department. A follow-up was conducted in June 2006 and found that 11 recommendations were resolved with one remaining incomplete item. A second follow-up of the incomplete item revealed the item has not been satisfactorily resolved. The incomplete item involved errors with regard to employee leave records. The second-follow found that 40% of the sampled employee time records had a least one discrepancy in their leave report.

Recommendation:

Satisfactorily resolve outstanding observation.

Corrective Action:

Management is addressing the discrepancies and is implementing a plan of action to alleviate these types of discrepancies in the future.

8. Second Follow-up on Compliance with I-9 (Issued 12/11/07)

Finding:

In August 2005, we issued an audit report that contained recommendations with regard to compliance with the Immigration Reform and Control Act of 1986 (IRCA) and the completion of the I-9 form. We conducted a follow-up review in December 2006 and although satisfactory progress had been made, the recommendations had not been satisfactorily resolved.

Our second follow-up review found that with regard to EPA and SPA employee I-9 forms, the observations have been satisfactorily resolved. The EPA and SPA employee I-9 compliance responsibility is centralized in

the Department of Human Resources. The Department of Human Resources has developed and implemented adequate policies, procedures, and training with regard to the Immigration Reform and Control Act of 1986 and the completion of the I-9 form.

During 2007, management established the Student Employment Office in order to centralize student employment and payroll processes. Compliance with student I-9 forms is now the responsibility of this office. For the period under review, there were approximately 1000 new student hires and at any one time the number of students employed is approximately 2800.

Since the establishment of this office, satisfactory progress has been made with regard to I-9 compliance for student employees. Based on the sample of student I-9 forms that were reviewed, the number of I-9 forms that are not in compliance has been reduced by approximately fifty percent. However, there continues to be numerous instances of paperwork errors.

Recommendation:

Satisfactorily resolve outstanding observation.

Corrective Action:

The Student Employment Office is in the process of implementing additional internal controls and working with individual departments to ensure compliance with I-9 requirements.

9. Third Follow-up on State Audit 2005-2006 Management Letter Condition (Issued 06/23/08)

Finding:

On February 13, 2007, the North Carolina Office of the State Auditor published a management letter identifying one “non-reportable” internal control weakness at East Carolina University with regard to the 2005-2006 financial audit. The non-reportable condition involved timely reconciliation of federal student aid funds, specifically noting Subsidized and Unsubsidized Stafford Loans (also referred to as “FFEL”).

In summary, our third follow-up revealed that procedures are in place for the reconciliation of all federal student aid funds, including Federal Work Study (FWS). However, the reconciliations are not being performed on a monthly basis and reconciling issues are not being resolved in a timely manner due to a staffing shortage.

Recommendation:

Title 34 of the *Code of Federal Regulations* requires that federal student aid funds “are reconciled at least monthly”. We understand that management is attempting to address the staffing shortage in the Student Accounting

area. We recommend that management place the highest possible priority on filling these vacancies.

Corrective Action:

Management agrees with the observation for 2007-2008. As Internal Audit has indicated, student accounting has experienced unforeseen staffing issues. The three accounting vacancies have been filled and all three accountants reported to work on or before July 7, 2008. All reconciliations are cumulative in nature and all findings have been reported to financial aid for resolution – including Perkins. Please note that student accounting staffs have assisted as much as possible – keeping in mind separation of duty between awarding and disbursing – in assisting students and the financial aid office last fall and again in spring and summer as needed. Staffs are working with May 2008 activity currently and fully intend to reconcile all the federal financial aid accounts monthly in accordance with federal financial aid guidelines.

Elizabeth City State University
Internal Audit Summary
For the Year Ended June 30, 2008

Specific Audits	Number of Audits	Audit Status				Significant Audit Findings ⁽²⁾
		Complete	In Process	Pending	Cancelled	
Information System Controls						
Peripheral Systems	1		1			
Internal Control Testing and/or Reviews						
Self Assessment of Internal Control	1	1				
Petty Cash and Cashiering	2	1	1			
Departmental Audits and/or Reviews						
Business and Finance	1				1	
Athletics	1			1		
Special Investigations (i.e. Misuse or Misappropriation of Assets)						
Various	2 ⁽¹⁾		2			
Special Assignments						
Various	3 ⁽¹⁾	3				1
Audit Findings Follow-up						
Office of the State Auditor Findings	1	1				
Compliance Audits						
Design and Construction	1	1				
Business and Finance	1		1			
Cellular Phone and Internet	1				1	
Lapsed Salary/Management Flexibility						
Carry-forward, Lapsed Salary and Management Budget Flexibility	1				1	
Total Audits	16	7	5	1	3	1

(1) Three audits added to the original plan

(2) Finding, recommendation, and corrective actions attached

**ELIZABETH CITY STATE UNIVERSITY
Summary of Significant Audit Findings
For the Year Ended June 30, 2008**

Student Accounts Deposits – Deposits were not recorded daily

Finding:

Deposits were not made daily during the month of August, 2007. In the review of 35 certifications to the Cash Management Control System, 25 were not made daily. In the review of 35 deposits to Wachovia, 16 deposits were not made daily.

Recommendation:

We recommend that all funds received each day be deposited daily in accordance with General Statute 147-77. The Cashier or the Bursar should notify the Controller or Internal Audit when deposits cannot be made daily.

Corrective Action:

Management agrees with the recommendation to deposit funds received each day in accordance with General Statute 147-77. A correction to this finding has been implemented and monitored since September, 2007.

Fayetteville State University
Internal Audit Summary
For the Year Ended June 30, 2008

Specific Audits	Number of Audits	Audit Status				Significant Audit Findings
		Complete	In Process	Pending	Cancelled	
Information System Controls						
Banner System	1	1				
Internal Control Testing and/or Reviews						
Self Assessment of Internal Control	1	1				
Petty Cash and Cashiering	1			1		
Bank Reconciliations	1	1				
Departmental Audits and/or Reviews						
Special Investigations (i.e. Misuse or Misappropriation of Assets)						
Special Assignments						
Audit Findings Follow-up						
Internal Audit Issues	1			1		
Office of the State Auditor Findings	2	2				
Compliance Audits						
Contracts and Grants	4 (1)	4				
Human Resources	1 (1)	1				
Business and Finance	14 (1)	8		6		
Lapsed Salary/Management Flexibility						
Carry-forward, Lapsed Salary and Management Budget Flexibility	1				1	
Total Audits	27	18	0	8	1	0

(1) Six audits added to the original plan

North Carolina A and T State University
Internal Audit Summary
For the Year Ended June 30, 2008

Specific Audits	Number of Audits	Audit Status				Significant Audit Findings ⁽²⁾
		Complete	In Process	Pending	Cancelled	
Information System Controls						
Banner System	2		1	1		
Internal Control Testing and/or Reviews						
Self Assessment of Internal Control	1	1				
Petty Cash and Cashiering	1	1				
Inventory Verification	1	1				
Revenue and Expenses	1			1		
Departmental Audits and/or Reviews						
Colleges, Schools, Camps and Centers	1			1		
Special Investigations (i.e. Misuse or Misappropriation of Assets)						
Various	5 ⁽¹⁾	3	2			1
Special Assignments						
Various	2 ⁽¹⁾	2				
Audit Findings Follow-up						
Internal Audit Issues	2	2				
Office of the State Auditor Findings	1		1			
Compliance Audits						
Business and Finance	1	1				
National Collegiate Athletic Association	1	1				
Lapsed Salary/Management Flexibility						
Carry-forward, Lapsed Salary and Management Budget Flexibility	1				1	
Total Audits	20	12	4	3	1	1

(1) Two audits added to the original plan

(2) Finding, recommendation, and corrective actions attached

**NORTH CAROLINA A & T UNIVERSITY
Summary of Significant Audit Findings
For the Year Ended June 30, 2008**

Inappropriate use of the Health & Wellness Grant Procurement Card

Finding

The lack of adequate management supervision contributed to the inappropriate use of the procurement card and lack of grant program results. Also, unauthorized procurement card purchases were made due to poor communication with the bank, which kept the card from being cancelled promptly.

Recommendation

Supervisors should be reminded of their responsibility to provide adequate management and supervision of subordinates' work. The Purchasing Office should comply with its policy on monthly reconciliations and should also confirm requests for card cancellations with the bank.

Corrective Action

A letter of reprimand was issued to the involved supervisor. In addition, a letter was sent to supervisors reminding them to provide adequate management and supervision of subordinates' work. Policies will be strengthened and communicated to University employees. Procurement cards will be suspended or cancelled for noncompliance of procurement card policies and card suspension or cancellation will be confirmed with the bank.

North Carolina Central University
Internal Audit Summary
For the Year Ended June 30, 2008

Specific Audits	Number of Audits	Audit Status				Significant Audit Findings ⁽²⁾
		Complete	In Process	Pending	Cancelled	
Information System Controls						
Banner System	1	1				
Internal Control Testing and/or Reviews						
Self Assessment of Internal Control	1	1				
Petty Cash and Cashiering	1	1				
Departmental Audits and/or Reviews						
Business and Finance	2	2				
Special Investigations (i.e. Misuse or Misappropriation of Assets)						
Special Assignments						
Various	2 ⁽¹⁾	2				
Audit Findings Follow-up						
Internal Audit Issues	3 ⁽¹⁾	3				
Office of the State Auditor Findings	1 ⁽¹⁾	1				2
Compliance Audits						
Financial Aid	1	1				
Human Resources	1	1				
Lapsed Salary/Management Flexibility						
Total Audits	13	13	0	0	0	2

(1) Five audits added to the original plan

(2) Findings, recommendations, and corrective actions attached

**NORTH CAROLINA CENTRAL UNIVERSITY
Summary of Significant Audit Findings
For the Year Ended June 30, 2008**

1. Office of State Auditor (OSA) – Academic Affairs

Finding

The Assistant Provost improperly authorized payment of federal grant funds. This review was based on an anonymous tip and also was a follow-up review to the OSA's report issued February 12, 2008.

Recommendation

Administrative controls should be initiated to ensure funds are being allocated as described by federal, state and local statutes. Review of the authorization administration should be performed and the university obtains repayment of funds dishonestly disbursed by Assistant Provost.

Corrective Action

Management has implemented new operating practices, appropriate oversight, and stronger internal controls. In addition, the former Assistant Provost has repaid the funds to the university and the Federal Granting agency has reviewed the actions taken by management and the in-depth review completed by the Internal Audit Office. They have concluded inquiry into the manner is closed and no further action will be taken.

2. Office of State Auditor (OSA) – Information Technology Services

Finding

The Security Manager and Data Base Administrator misused the university's network and computers, management lacked adequate control over assets and degrees and credentials prior to employment were not properly verified. This was a follow-up review to the OSA's report issued June 17, 2008.

Recommendation

Strong disciplinary action should be taken against staff identified; implement policies and procedures for control over assets and ensure all relevant information related to an employee's history are noted and are addressed, if necessary.

Corrective Action

Additional oversight has been implemented. The noted Security Manager and Data Base Administrator are no longer employed with the university. New software to assist management in maintaining assets within Information Technology Services (ITS) was deployed in addition to new processes implemented. An in-depth review of the general controls for fiscal year 2008 of the University's IT System was completed. To resolve findings identified by

the IT external audit, the University has initiated a three phase process to resolve the findings with an external IT audit firm. As of July 1, 2008, background checks are completed on all staff (fulltime & temporary). Furthermore, the human resource department has implemented new policies and procedures and has hired additional staff.

Auditor's Disclosure:

Please note the synopsis was completed by the former Interim Director based on the work completed by the Internal Audit Office from July 1, 2007 – June 30, 2008. On August 18, 2008, a new University Internal Auditor was hired.

**North Carolina School of the Arts
Internal Audit Summary
For the Year Ended June 30, 2008**

Specific Audits	Number of Audits	Audit Status				Significant Audit Findings ⁽²⁾
		Complete	In Process	Pending	Cancelled	
Information System Controls						
Banner System	1			1		
Internal Control Testing and/or Reviews						
Self Assessment of Internal Control	1	1				
Bank Reconciliations	1	1				
Financial Aid	1				1	
Revenue and Expenses	1		1			
Procurement Card	1	1				1
Departmental Audits and/or Reviews						
Colleges, Schools, Camps and Centers	1			1		
Student Activities	1			1		
Special Investigations (i.e. Misuse or Misappropriation of Assets)						
Various	2 ⁽¹⁾	1			1	1
Special Assignments						
Various	1		1			
Audit Findings Follow-up						
Internal Audit Issues	1		1			
Compliance Audits						
Lapsed Salary/Management Flexibility						
Total Audits	12	4	3	3	2	2

(1) One audit added to the original plan

(2) Findings, recommendations, and corrective actions attached

**NORTH CAROLINA SCHOOL OF THE ARTS
Summary of Significant Audit Findings
For the Year Ended June 30, 2008**

1. Purchasing Card Program (P-Card)

Finding

Purchases by a Card Coordinator were not reviewed and approved by the employee's supervisor. The Card Coordinator used a signature stamp on the P-Card reconciliation report which is required to be reviewed and signed by the supervisor.

Recommendation

The supervisor should be notified that he must review and approve any P-Card purchases by his department's Card Coordinator. The Card Coordinator should be informed that a signature stamp can not be used.

Corrective Action

The Card Coordinator and Dean have been notified that the Reconciliation Report must be reviewed and signed by the Dean.

Finding

P-Card users with the NCSA Summer Performance Festival did not submit adequate supporting documentation of purchases when the P-Card Reconciliation reports were submitted.

Recommendation

The Card Coordinator and P-Card users with the Summer Performance Festival should be informed of the policies and procedures for using the P-Card and the consequences of failing to comply.

Corrective Action

The Director of Purchasing held a meeting with the administrators of the NCSA Summer Performance Festival and reviewed the policies and procedures for the P-Card program.

2. Center Stage Apartments

Finding

Duplicate invoices from a painting contractor were paid due to insufficient internal controls. The employee responsible for approving the invoices never verified that the work was completed before submitting the invoices to Financial Services for payment.

Recommendation

To strengthen internal controls over disbursements, Resident Life management should enforce the NCSA accounts payable policy that requires employees to document that goods or services were actually received before payment can be made.

Corrective Action

Management has established more oversight and recommunicated the accounts payable policy to the Resident Life staff.

Finding

A Resident Life employee changed the work specifications and prices in a bid contract without seeking authorization from the Director of Purchasing.

Recommendation

Employees should follow proper purchasing procedures for bid contracts.

Corrective Action

Management has informed the Resident Life staff that all changes to a bid contract must be handled by the Director of Purchasing.

The North Carolina School of Science and Mathematics
Internal Audit Summary

Specific Audits	Number of Audits	Audit Status				Significant Audit Findings
		Complete	In Process	Pending	Cancelled	
Information System Controls						
Internal Control Testing and/or Reviews						
Capital Assets	1	1				
Inventory Verification	1	1				
Self Assessment of Internal Control	1	1				
Departmental Audits and/or Reviews						
Business and Finance	2	1	1			
Special Investigations (i.e. Misuse or Misappropriation of Assets)						
Various	1 (1)	1				
Special Assignments						
Various	1 (1)	1				
Audit Findings Follow-up						
Internal Audit Issues	4	3	1			
Compliance Audits						
Business and Finance	2 (1)	2				
Total Audits	13	11	2	0	0	0

(1) Three audits added to the original plan

North Carolina State University
Internal Audit Summary
For the Year Ended June 30, 2008

Specific Audits	Number of	Audit Status				Significant Audit Findings ⁽²⁾
	Audits	Complete	In Process	Pending	Cancelled	
Information System Controls						
Banner System	1	1				
Peripheral Systems	3	1	1		1	
Internal Control Testing and/or Reviews						
Self Assessment of Internal Control	1				1	
Departmental Audits and/or Reviews						
Colleges, Schools, Camps and Centers	1			1		
Human Resources	1 ⁽¹⁾	1				
Special Investigations (i.e. Misuse or Misappropriation of Assets)						
Various	13 ⁽¹⁾	12	1			1
Special Assignments						
Audit Findings Follow-up						
Internal Audit Issues	5	2		3		1
Compliance Audits						
Business and Finance	1	1				
Contracts and Grants	3 ⁽¹⁾	2			1	
Lapsed Salary/Management Flexibility						
Carry-forward, Lapsed Salary and Management Budget Flexibility	1	1				
Total Audits	30	21	2	4	3	2

(1) Sixteen audits added to the original plan

(2) Findings, recommendations, and corrective actions attached

**NORTH CAROLINA STATE UNIVERSITY
Summary of Significant Audit Findings
For the Year Ended June 30, 2008**

1. Office of the State Auditor – Office of Information Technology

Finding

This was an Office of the State Auditor (OSA) investigation into allegations relating to the activities of an OIT employee. Issues included the misuse of the University network, computers, and servers and violation of Federal copyright laws.

Recommendation

OSA's recommendations included strong disciplinary action against the employee along with forensic and/or security reviews of the systems to which the employee had access, determination of potential involvement of other employees, and training for all OIT employees.

Corrective Action

The employee is no longer with the University. Forensic and/or security reviews were performed by OIT and results reported to the NC State Internal Audit (IA) Division. IA performed a follow-up review of the corrective action activities. Forensic evidence from the investigation has been retained for potential requests from State or Federal law enforcement personnel. OIT has added requirements to the University's Computer Use Policy. OIT held required training for all its employees on the policy and additional expectations for ethical standards and the protection of state and University data and assets. Additional training is planned for the campus at large. An audit has been included on the IA 2009 Annual Audit Plan to ensure satisfactory implementation of appropriate corrective actions for all issues.

2. A Professor's activities within the Department of Materials Science, and Engineering

Finding

This audit originated from an allegation filed on the Office of the State Auditor Hotline regarding both internal and external activities of a NC State professor. The investigation resulted in numerous issues including poor fiscal oversight, improper charges to certain accounts, poor inventory management, and potential conflict of interest in external activities.

Recommendation

A fiscal management position should be created to oversee and manage the Professor's fiscal activities. An oversight committee should be created

to ensure the appropriateness of and management plan development for the Professor's external activities. The department should review and evaluate the business purpose of all charges questioned and ensure only appropriate expenses are applied to accounts including state, discretionary, and trust funds. Expenditure approval process should be improved to ensure compliance. A complete inventory should be performed and include on-going adequate documentation, monitoring, and reporting per University requirements and best practices.

Corrective Action

A fiscal manager is being hired. The oversight committee is in place and active. All account charges were reviewed and properly corrected. Inventory processes were improved. An audit has been included on the 2009 Annual Audit Plan to ensure satisfactory implementation of appropriate corrective actions for all issues.

The University of North Carolina at Asheville
Internal Audit Summary
For the Year Ended June 30, 2008

Specific Audits	Number of Audits	Audit Status				Significant Audit Findings
		Complete	In Process	Pending	Cancelled	
Information System Controls						
Banner System	1			1		
Internal Control Testing and/or Reviews						
Self Assessment of Internal Control	1	1				
Petty Cash and Cashiering	1			1		
Inventory Verification	1	1				
Payroll, Employee Pay and Separation	1			1		
Departmental Audits and/or Reviews						
Business and Finance	1	1				
Colleges, Schools, Camps and Centers	1			1		
Special Investigations (i.e. Misuse or Misappropriation of Assets)						
Special Assignments						
Various	2 (1)	2				
Audit Findings Follow-up						
Office of the State Auditor Findings	1	1				
Compliance Audits						
Human Resources	1	1				
Lapsed Salary/Management Flexibility						
Carry-forward, Lapsed Salary and Management Budget Flexibility	1	1				
Total Audits	12	8	0	4	0	0

(1) Two audits added to the original plan

The University of North Carolina at Chapel Hill
Internal Audit Summary
For the Year Ended June 30, 2008

Specific Audits	Number of Audits	Audit Status				Significant Audit Findings
		Complete	In Process	Pending	Cancelled	
Information System Controls						
Peripheral System	3 (1)	1	2			
Internal Control Testing and/or Reviews						
Self Assessment of Internal Control	1 (1)	1				
Petty Cash and Cashiering	1	1				
Revenues and Expenses	1 (1)		1			
EAGLE Testing	2 (1)		2			
Departmental Audits and/or Reviews						
Admissions	1			1		
Business and Finance	7	2	2	3		
Colleges, Schools, Camps and Centers	1 (1)		1			
Development and Advancement	1 (1)	1				
Special Investigations (i.e. Misuse or Misappropriation of Assets)						
Various	12 (1)	8	4			
Special Assignments						
Various	3 (1)	3				
Audit Findings Follow-up						
Internal Audit Issues	1		1			
Office of the State Auditor Findings	1				1	
Compliance Audits						
Contracts and Grants	1			1		
Lapsed Salary/Management Flexibility						
Carry-forward, Lapsed Salary and Management Budget Flexibility	2	1			1	
Total Audits	38	18	13	5	2	0

(1) Nineteen audits added to the original plan

The University of North Carolina at Charlotte
Internal Audit Summary
For the Year Ended June 30, 2008

Specific Audits	Number of Audits	Audit Status				Significant Audit Findings ⁽²⁾
		Complete	In Process	Pending	Cancelled	
Information System Controls						
Banner System	2	1			1	
Internal Control Testing and/or Reviews						
Self Assessment of Internal Control	2	1	1			
Petty Cash and Cashiering	2 ⁽¹⁾	2				
Policy Creation	1	1				
Departmental Audits and/or Reviews						
Business and Finance	1	1				
Colleges, Schools, Camps and Centers	1 ⁽¹⁾	1				
Special Investigations (i.e. Misuse or Misappropriation of Assets)						
Various	1 ⁽¹⁾	1				
Special Assignments						
Audit Findings Follow-up						
Internal Audit Issues	1 ⁽¹⁾	1				
Office of the State Auditor Findings	1 ⁽¹⁾	1				1
Compliance Audits						
Business and Finance	5 ⁽¹⁾	4		1		1
Human Resources	1			1		
National Collegiate Athletic Association	1	1				
Lapsed Salary/Management Flexibility						
Carry-forward, Lapsed Salary and Management Budget Flexibility	2	1	1			
Total Audits	21	16	2	2	1	2

(1) Six audits added to the original plan

(2) Findings, recommendations, and corrective actions attached

UNC CHARLOTTE
Summary of Significant Audit Findings
For the Year Ended June 30, 2008

1. Office of the State Auditor – Deficiencies in Internal Controls over Financial Reporting

Finding

OSA noted several misstatements in the University's financial statements for FY 2007. Although individually the misstatements were very small, taken as a whole they were indicative of the risk that future statements may be misleading.

Recommendation

OSA recommended placing greater emphasis on year-end reporting and implementing effective internal controls to ensure the accuracy of future statements.

Corrective Action

The Associate Vice Chancellor for Finance created and implemented a ten-point plan that included: hiring additional temporary and permanent staff; creating an integrated Year End Closing Team; setting earlier deadlines for task completion to increase time for review; and setting up a new accrual system with an earlier availability. UNC Charlotte Internal Audit reviewed the implementation plan and found that it satisfactorily targeted the OSA finding. A second follow up will be conducted NLT March 31, 2009, to assess the effectiveness of the plan during year end close and the FY 2008 OSA audit.

2. Compliance with Payment Card Industry Standards for Credit Card Processing

Finding

Three departments were found to be storing complete credit card account information with personal identifying information, a violation of University policy and a significant business risk.

Recommendation

Each processing unit was instructed to convert its processing system to a policy compliant method and to eliminate the inappropriately stored information.

Corrective Action

As of June 30, 2008, each department was actively engaged in converting its processing methods to a hosted site process with a policy compliant vendor.

The University of North Carolina-General Administration
Internal Audit Summary
For Year Ended June 30, 2008

Specific Audits	Number of Audits	Audit Status				Significant Audit Findings
		Complete	In Process	Pending	Cancelled	
Information System Controls						
Peripheral Systems	1			1		
Internal Control Testing and/or Reviews						
Self Assessment of Internal Control	1	1				
Inventory Verification	1			1		
Capital Assets	1			1		
Departmental Audits and/or Reviews						
Colleges, Schoos, Camps and Centers	1			1		
Special Investigations (i.e. Misuse or Misappropriation of Assets)						
Various	2	2				
Special Assignments						
Audit Findings Follow-up						
Internal Audit Issues	1	1				
Compliance Audits						
Lapsed Salary/Management Flexibility						
Carry-forward, Lapsed Salary and Management Budget Flexibility	1	1				
Total Audits	9	5	0	4	0	0

The University of North Carolina at Greensboro
Internal Audit Summary
For the Year Ended June 30, 2008

Specific Audits	Number of Audits	Audit Status				Significant Audit Findings
		Complete	In Process	Pending	Cancelled	
Information System Controls						
Internal Control Testing and/or Reviews						
Inventory Verification	1	1				
Procurement Card	1	1				
Revenue and Expenses	1			1		
Self Assessment of Internal Control	1	1				
Departmental Audits and/or Reviews						
Business and Finance	1	1				
Special Investigations (i.e. Misuse or Misappropriation of Assets)						
Various	1	1				
Special Assignments						
Various	1 (1)	1				
Audit Findings Follow-up						
Office of the State Auditor Findings	1	1				
Compliance Audits						
Business and Finance	1	1				
Contracts and Grants	1			1		
Endowment and Gift Administration	1		1			
Human Resources	1	1				
National Collegiate Athletic Association	1	1				
Lapsed Salary/Management Flexibility						
Carry-forward, Lapsed Salary and Management Budget Flexibility	1	1				
Total Audits	14	11	1	2	0	0

(1) One audit added to the original plan

The University of North Carolina at Pembroke
Internal Audit Summary
For the Year Ended June 30, 2008

Specific Audits	Number of Audits	Audit Status				Significant Audit Findings
		Complete	In Process	Pending	Cancelled	
Information System Controls						
Banner System	1			1		
Disaster Recovery Plans	1			1		
Information Technology Center	1			1		
Internal Control Testing and/or Reviews						
Self Assessment of Internal Control	1	1				
Petty Cash and Cashiering	1	1				
Inventory Verification	1	1				
Procurement Card	1			1		
Departmental Audits and/or Reviews						
Colleges, Schools, Camps and Centers	1			1		
Special Investigations (i.e. Misuse or Misappropriation of Assets)						
Various	2 (1)	1		1		
Special Assignments						
Various	2 (1)			1	1	
Audit Findings Follow-up						
Internal Audit Issues	5	5				
Office of the State Auditor Findings	2	2				
Compliance Audits						
Cellular Phone and Internet	1				1	
Lapsed Salary/Management Flexibility						
Total Audits	20	11	0	7	2	0

(1) Four audits added to the original plan

The University of North Carolina at Wilmington
Internal Audit Summary
For the Year Ended June 30, 2008

Specific Audits	Number of Audits	Audit Status				Significant Audit Findings
		Complete	In Process	Pending	Cancelled	
Information System Controls						
Banner System	1				1	
Peripheral System	1	1				
Disaster Recovery Plans	1 (1)	1				
Internal Control Testing and/or Reviews						
Self Assessment of Internal Control	2	1			1	
Inventory Verification	1	1				
Policy Creation	1				1	
Revenue and Expenses	4 (1)	4				
Procurement Card	1 (1)	1				
Sponsored Programs	1	1				
Departmental Audits and/or Reviews						
Business and Finance	11 (1)	8	1		2	
Colleges, Schools, Camps and Centers	2	2				
Special Investigations (i.e. Misuse or Misappropriation of Assets)						
Various	1	1				
Special Assignments						
Audit Findings Follow-up						
Internal Audit Issues	3	2			1	
Compliance Audits						
Business and Finance	1				1	
Financial Aid	1	1				
Lapsed Salary/Management Flexibility						
Carry-forward, Lapsed Salary and Management Budget Flexibility	1	1				
Total Audits	33	25	1	0	7	0

(1) Eleven audits added to the original plan

**Western Carolina University
Internal Audit Summary
For the Year Ended June 30, 2008**

Specific Audits	Number of Audits	Audit Status				Significant Audit Findings ⁽²⁾
		Complete	In Process	Pending	Cancelled	
Information System Controls						
Disaster Recovery Plans	1		1			1
Peripheral Systems	2			2		
Internal Control Testing and/or Reviews						
Petty Cash and Cashiering	1	1				
Self Assessment of Internal Control	2	2				
Departmental Audits and/or Reviews						
Business and Finance	2	2				1
Colleges, Schools, Camps and Centers	1	1				
Special Investigations (i.e. Misuse or Misappropriation of Assets)						
Various	4 ⁽¹⁾	4				
Special Assignments						
Various	1	1				
Audit Findings Follow-up						
Internal Audit Issues	4	2		2		
Compliance Audits						
Lapsed Salary/Management Flexibility						
Total Audits	18	13	1	4	0	2

(1) Four audits added to the original plan

(2) Findings, recommendations, and corrective actions attached

WESTERN CAROLINA UNIVERSITY
Summary of Significant Audit Findings
For the Year Ended June 30, 2008

1. Disaster Recovery for Data Center

Finding

We found that there is no formal agreement or reciprocal plan with another compatible data center that would provide for the execution of Western Carolina University's critical applications in the event of a natural disaster or other emergency situation.

Recommendation

We recommend that the Office of the Chief Information Officer identify, negotiate and sign a formal agreement or plan with a compatible data center thereby assuring continued execution of our critical applications in the event of a natural disaster or other emergency situation.

Corrective Action

We are negotiating with UNC Pembroke to have a reciprocal agreement where we provide critical system support for each other. We have agreed in principle and have reviewed the technical specifications to insure that we have the same equipment at both sites. Each of our institutions is in the process of acquiring the necessary equipment to have installed at the other site. At this point, institutional funding is still being identified to acquire the equipment. Once the equipment is installed and tested, we will develop the formal agreement, as the specifics of that agreement will depend somewhat on what we find out during the tests. Our target is to have the equipment in place and tested and the agreement drafted by January 2009.

2. IT Issues – University Police

Finding

We found inadequate internal controls concerning access and privileges within University Police IT systems. We also found the lack of audit trails supporting transactions recorded in these systems. We also found that wired equivalent privacy (WEP) is the protocol utilized to encrypt transmission of information to and from mobile data terminals and a server. This vulnerable encryption presents a risk of compromise of the confidential information being transmitted.

Recommendation

We recommend that the Police Department strengthen internal controls limiting access and privileges to only those employees who require them. We also recommend that proper documentation and audit trails be established whereby all transactions system changes can be documented. Finally, we recommend that a more secure encryption be utilized for transmission of wireless data.

Corrective Action

The Police Department will evaluate job duties and system access requirements for these duties. All access and system privileges will be granted only to necessary employees. Documentation and audit trails have been established for transactions and system changes. The University's network and operations staff are aware of the problems with the current encryption method and are working on the implementation of a more secure method of data encryption.

Winston-Salem State University
Internal Audit Summary
For the Year Ended June 30, 2008

Specific Audits	Number of Audits	Audit Status				Significant Audit Findings ⁽²⁾
		Complete	In Process	Pending	Cancelled	
Information System Controls						
Disaster Recovery Plans	1	1				
Internal Control Testing and/or Reviews						
Self Assessment of Internal Control	1			1		
Capital Assets	1			1		
Petty Cash and Cashiering	1		1			
Departmental Audits and/or Reviews						
Colleges, Schools, Camps and Centers	1			1		
Special Investigations (i.e. Misuse or Misappropriation of Assets)						
Various*	4		4			10
Special Assignments						
Various	4 ⁽¹⁾			4		
Audit Findings Follow-up						
Office of the State Auditor Findings	1	1				
Compliance Audits						
Information Privacy Standards	1			1		
Business and Finance	1			1		
Human Resources	1			1		
Lapsed Salary/Management Flexibility						
Carry-forward, Lapsed Salary and Management Budget Flexibility	1			1		
Total Audits	18	2	5	11	0	10

(1) Four audits added to the original plan

(2) Findings, recommendations, and corrective actions attached

WINSTON-SALEM STATE UNIVERSITY
Summary of Significant Audit Findings
For the Year Ended June 30, 2008

Purchasing Department Processes:

Finding #1

Our examination concluded that Purchasing Department policies and procedures were significantly out of date. Changes in processes and dollar limitations set by both the Purchase and Contract Division of the Department of Administration and UNC General Administration were not in evidence even though actual processing was not found to be non-compliant.

Recommendation

Policies and procedures should be revised to be compliant with current regulatory requirements and future changes should be reflected and communicated in a timely manner.

Corrective Action

Purchasing policies and procedures have been updated and will be monitored for future changes.

Finding #2

Our examination concluded that undocumented changes were made to purchase orders (POs) related to bids after the bids had been accepted and awarded.

Recommendation

Purchase and Contract policies should be followed and any allowable changes should be documented and included with the bid information supporting the PO.

Corrective Action

Policies and procedures have been revised and compliance with changes to bid-related POs has been emphasized.

Finding #3

Our examination concluded that approval for all computer and/or computer-related orders was not obtained from the Information Resources (IR) Department prior to procurement as required by Purchasing policies.

Recommendation

Purchasing should ensure that required approvals are documented prior to issuing a PO for computer and computer-related equipment.

Corrective Action

Greater emphasis regarding requirements for the documentation of approval for the purchase of computer and computer-related equipment has been emphasized to Purchasing Department staff.

Finding #4

Our examination concluded that alcohol was purchased using the University's P-Card. Alcohol is an unallowable purchase using State appropriated funds.

Recommendation

The Purchasing Department should inform P-Card users about State and University policies regarding the prohibition against purchasing alcohol.

Corrective Action

Purchasing has set the MCC (Merchant Category Codes) to block purchases of alcohol, travel, and equipment per State guidelines.

Campus Ticket Office:**Finding #1**

Our examination concluded that cash register receipts were not being given to customers who paid with cash. The Ticket Office did not use manual receipt books but, when a customer who paid with cash requested a receipt, he/she was provided an adding machine tape with "WSSU Ticket Office" stamped at the top and the dollar amount imprinted.

Recommendation

The original recommendation was for the Ticket Office to obtain University receipt books and to issue a manual receipt for each cash transaction.

Corrective Action

The Ticket Office updated their cash register to enable them to issue a receipt for all ticket purchases.

Finding #2

Our examination concluded that there were significant weaknesses in internal controls related to adequate documentation of event ticket inventories (printed by outside vendors), failure to properly safeguard event

tickets, lack of separation of duties, and a general lack of supervisory review.

Recommendation

We recommend that formal policies and procedures be created for Ticket Office operations and that they include controls over the receipt and inventory of all pre-printed tickets, reconciliations of ticket sales and unsold tickets, safeguards for un-deposited cash and ticket stock, improved separation of duties, and enhanced supervisory oversight.

Corrective Action

Ticket Office management will document policies and procedures and will include improvements to controls presented in the auditor's recommendations.

University College Cash Collections:

Finding #1

Our examination concluded that there were significant weaknesses in internal controls related to safeguarding assets and separation of duties related to cash collections for "new student orientation" sessions.

Recommendation

The University College should strengthen controls over cash collections by ensuring that assets are safeguarded and by developing mitigating controls to reduce risk related to the lack of separation of duties.

Corrective Action

Management has established controls and improved oversight. At the time of the report, University College was attempting to transfer the responsibility for "new student orientation" cash collections to Billings and Receivables.

Student Financial Aid:

Finding #1

Our examination concluded that some employees in the Financial Aid Office and Billings and Receivables were receiving both tuition waivers and non-repayable student financial aid in violation of WSSU policy. Also, some employees received multiple tuition waivers for the same course and received over-awards based on grant maximums and/or calculated need. Finally, one student/employee's award was entered to Banner by a related party.

Recommendation

The Financial Aid Office policies and procedures should be updated and strengthened in order to eliminate the types of abuses reported. Also, appropriate disciplinary action should be taken against the University employees who abused the system for personal gain.

Corrective Action

Disciplinary action was taken against the employees in the report. The Director of Financial Aid updated and strengthened departmental policies and procedures to include some automated management reporting on changes made to cost of attendance budgets, awards, and other reports to assist in monitoring financial aid processing and awards.

Federal I-9 Compliance:**Finding #1**

Our examination concluded that required signatures are missing from 3-4% of our sample of I-9 forms for both current and terminated employees. Federal regulations require signatures of certifying officials who examine new hire documentation (passports, birth certificates, etc.).

Recommendation

The Human Resources Department should instruct employees who process Federal I-9 forms to sign and date the forms certifying that they have examined required documentation (if that certification is true). We also recommend that Human Resources management periodically review a sample of completed I-9s to confirm the accuracy and completeness of their subordinates' work

Corrective Action

Management has established improved controls over the processing of Federal I-9 forms.

Finding #2

Our examination concluded that the 3 day time limit for obtaining required documentation was violated in 6.5% of current and 12.5% of terminated employees.

Recommendation

The Human Resources Department should send out periodic communications to all hiring units to remind them of the timeline and documentation requirements for all new hires. For employees who are late or "no-shows" in completing the I-9 form, a log should be maintained in HR and notification of non-compliance should be communicated to the employee's supervisor. If there are repeat occurrences, notification should

be sent to the supervisor's manager as well. We further recommend that HR managers monitor their staffs' efforts to comply with this regulation as mentioned in the recommendation for Finding # 1.

Corrective Action

Management has established improved controls over the processing of Federal I-9 forms.