Vacation and Sick Leave Reporting

January 2016
Report Number FY 16-04
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Summary

The audit of Northern Arizona University’s leave of absence procedures is in the NAU Annual Audit Plan for FY 2016, as approved by the Audit Committee of the Arizona Board of Regents. This audit links to NAU’s goal of having efficient, effective, and accountable practices.

Background: Sick leave for NAU employees is governed by ABOR Policy 6-804, NAU Human Resource policies, and A.R.S. §38-615.

Regular employees working 20 hours or more per week for a continuous period of six months or longer are eligible to accrue and use paid sick time. Paid sick time is accrued at the rate of one day for each month of service. For a full-time employee this translates to 3.69 hours accrued per pay period. Unused sick leave carries over to the next year. At the time of the employee’s retirement, a percentage of the employee’s unused sick leave may be paid out if the employee has accumulated 500 or more hours of unused sick leave, under the State’s Retiree Accumulated Sick Leave (RASL) Program, as authorized by A.R.S. § 38-615. The percentage increases based on the number of hours of unused sick leave. The maximum total benefit is $30,000. RASL payouts are not made using university funds but rather by a separate state account funded by mandatory employee payroll deductions.

Vacation leave is governed by ABOR Policy 6-803 and NAU Human Resource policies. Classified staff who are employed at 50% time or more are entitled to accrue vacation based on their length of service. After five years of continuous service, classified staff are entitled to 176 hours per year. Administrative and professional employees are entitled to accrue twenty-two (22) paid vacation days (176 hours) per year. Unused vacation leave may be accumulated and carried forward from one calendar year to the next up to 264 hours.

In September 2014, NAU began using an electronic Record Absence form (eROA). When an absence is foreseen or required, the employee fills out an eROA using LOUIE, NAU’s Lumberjack Online University Information Environment. The eROA form is routed to the employee’s supervisor for approval. This process streamlines and improves accuracy of leave reporting.
Audit Objectives: The primary objectives of the audit are to determine whether:

- NAU sick and vacation leave policies and procedures adhere to state regulations and ABOR policies; and
- Faculty and staff report leave taken in accordance with University policies and procedures.

Scope: The scope of our audit included a review current sick and vacation policies and procedures to accurately account for leaves at NAU.

Methodology: The audit objectives were met by performing the following procedures:

- reviewing NAU’s sick and vacation leave policies to ensure that they are consistent with ABOR policies;
- reviewing existing leave reporting procedures and controls to facilitate compliance with applicable policies;
- requesting and obtaining a database query of all paid time off taken by employee for the past 67 pay periods (calendar years 2013, 2014, and calendar year 2015 through July 20, 2015);
- reviewing the results of the database query to identify any unusual patterns of paid time off taken, by type of employee;
- reviewing the results of the database query to whom the employee reports for timekeeping purposes and identify any paid time off patterns;
- and based on the database reviews, identifying a sample of areas to evaluate for alignment (or compliance) with the University’s policies and procedures; identify gaps where changes in practice, enhanced communication and/or clarity in procedures would improve compliance.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Conclusion: During the first 28 pay periods in calendar years 2013 and 2014, service professionals reported an annual average of 28 hours of paid sick leave taken per week and classified staff reported an average of 36 hours of paid sick leave taken per week. As depicted in the graph below, faculty reported significantly less paid sick leave during this same period.
Several factors within the university’s control may account for this discrepancy, as noted in the remainder of this report. The report also provides opportunities to address these concerns.

The control standards we considered during this audit and the status of the related control environment are provided in the following table.

<table>
<thead>
<tr>
<th>General Control Standard</th>
<th>Control Environment</th>
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<tr>
<td>Reliability and Integrity of Financial and Operational Information</td>
<td></td>
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<tr>
<td>• The University has a system to ensure that paid sick leave, as requested, is accurately reported.</td>
<td>Reasonable to Strong Controls in Place</td>
<td></td>
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<tr>
<td>• There is assurance that all paid sick leave reporting is accurate and complete.</td>
<td>Opportunity for Improvement</td>
<td>1, 2</td>
<td>5, 6</td>
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<tr>
<td>Safeguarding of Assets</td>
<td>Not Applicable</td>
<td></td>
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<tr>
<td>Authorization Procedures</td>
<td></td>
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<tr>
<td>• The University has a system to ensure that all requested vacation and sick leave is authorized and recorded properly.</td>
<td>Reasonable to Strong Controls in Place</td>
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<tr>
<td>Effectiveness and Efficiency of Operations</td>
<td></td>
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<tr>
<td>• NAU’s sick and vacation leave reporting policies and procedures are effectively communicated.</td>
<td>Opportunity for Improvement</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Compliance with Laws and Regulations</td>
<td></td>
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<tr>
<td>• NAU’s policies and procedures are consistent with ABOR policy.</td>
<td>Opportunity for Improvement</td>
<td>2</td>
<td>6</td>
</tr>
</tbody>
</table>

We appreciate the assistance of the staff of Human Resources, the Office of the Provost, and the academic and administrative staff interviewed during this review.

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Audit Results, Recommendations and Responses

1. Improve compliance for proper sick and vacation reporting.

**Condition:** Vacation and sick leave policies and procedures are applied inconsistently across the University. In some cases there is a lack of awareness of sick leave policies and procedures. In other cases management is reluctant to enforce sick and vacation leave policies. Examples include:

- some administrators are not aware of the reports available for monitoring leave usage and are unable to identify anomalies or confirm accurate vacation and sick leave reporting;
- some administrators and employees are not aware, and do not communicate, the RASL Program benefit;
- some employees have difficulty using the electronic Request of Absence form;
- faculty do not always report paid sick leave when they obtain a substitute for a class, miss office hours, or miss meetings;
- some employees manipulate time reporting by delaying recording sick or vacation time to avoid a deficit sick leave balance; and
- some departments do not enforce proper leave reporting within their unit.

**Criteria:** All NAU employees should report absences in accordance with NAU policies and procedures. Departments should enforce leave reporting consistently.

**Cause:** Some supervisors don’t appear to understand their role for enforcing these policies, or are reluctant to do so. Expectations for reporting leave varies for classified staff, service professionals, and faculty. Departmental practices vary across NAU. Some employees may not be held accountable for leave reporting in accordance with policy or may not be clear on their supervisor’s expectations.

**Effect:** Leave is not always reported accurately (or at all) consistently within or among departments, and in accordance with NAU policy.

**Recommendation:** Human Resources should periodically issue a university-wide memo that emphasizes enforcement of NAU sick and vacation leave policies. The memo should provide who is accountable and responsible for accurate leave reporting. In the event supervisors are unclear of vacation and sick leave reporting expectations or are reluctant
to enforce vacation and sick leave reporting, Human Resources should be contacted to provide assistance and clarification.

Response: Human Resources will include a periodic reminder addressing the above issues in the HR monthly announcements to campus.

2. Comply with ABOR vacation policy for faculty with fiscal-year contracts.

Condition: NAU vacation policy for forty faculty with fiscal-year contracts is not consistent with ABOR policy.

NAU Human Resource Policy 4.02 states “faculty are not eligible for vacation pay.”

However, ABOR policy 6-803, Vacation Leave, states “fiscal-year faculty employees are entitled to accrue twenty-two (22) paid vacation days per year.”

Criteria: NAU vacation policy should be consistent with ABOR policy.

Cause: Faculty who serve in 12-month (fiscal year) appointments have traditionally arranged reasonable time off with their direct supervisors.

Effect: Fiscal-year faculty are not accruing vacation as required by ABOR policy.

Recommendation: The Vice Provost for Academic Personnel and the Associate Vice President, Human Resources should work to develop a solution to align current practices for this category of fiscal-year faculty consistent with ABOR policy.

Response: The Vice Provost for Academic Personnel issued guidelines on December 8, 2015, to bring NAU into compliance with ABOR policy by July 2016.

The Associate Vice President, Human Resources has drafted the appropriate NAU vacation policy changes, which will be in effect not later than July 2016. Human Resources is working on the systems and procedural changes for implementation by July 2016.
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