



# STATE OF NORTH CAROLINA

## STRATEGIC REVIEW

NORTH CAROLINA CENTRAL UNIVERSITY

DURHAM, NORTH CAROLINA

SEPTEMBER 2006

OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP

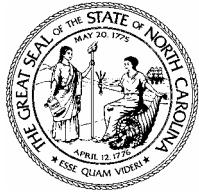
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AUDITOR'S TRANSMITTAL

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The Honorable Michael F. Easley, Governor  
The General Assembly of North Carolina  
Dr. James H. Ammons, Chancellor  
North Carolina Central University

We have completed a strategic review of potentially invalid social security numbers used by employees at North Carolina Central University. We also reviewed payroll transactions that appeared to be unusual. The results of our review, along with recommendations for corrective action, are contained in this report.

*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in black ink that reads "Leslie W. Merritt, Jr."

Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

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## **INTRODUCTION**

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The Office of the State Auditor has implemented a strategic review initiative. This initiative is an effort to analyze state agency/university data on a proactive basis and help identify unusual trends and potential problems at state agencies and universities. The purpose of this review was to identify invalid social security numbers in the payroll system at North Carolina Central University and to investigate unusual payments noted on the university payroll.

To conduct this strategic review, we performed the following procedures:

- Analyzed employee social security numbers (SSNs) for validity by comparing employee SSNs with the ranges of valid SSNs from the Social Security Administration;
- Compared employee SSNs from the payroll file to SSNs from the Social Security Administration's file of deceased individuals;
- For SSNs from the payroll file that matched numbers on the file of deceased individuals, we determined if the employees continued to be paid after their date of death;
- Interviewed appropriate university payroll staff;
- Interviewed a sample of the employees with invalid SSNs;
- Analyzed selected employees with valid SSNs to determine if their name matched the name assigned to the social security number by the Social Security Administration;
- Analyzed employee bonus pay for potential overpayments

This report presents the results of our strategic review. The review was conducted pursuant to North Carolina General Statute §147-64.6.

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## FINDINGS AND RECOMMENDATIONS

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### 1. NCCU EMPLOYEES HAVE INVALID SOCIAL SECURITY NUMBERS.

We reviewed the social security numbers (SSNs) of employees on North Carolina Central University's (NCCU) payroll and noted that 28 employees were identified as having an invalid SSN. Eleven of these employees were non-student employees and 17 were student employees.

For the 11 non-student employees:

- Seven employees' files contained I-9 forms that reported the same social security number as the potentially invalid number. The Social Security Administration confirmed these SSNs were invalid, meaning those numbers had never been issued. Six of the seven files contained a copy of the employees' social security card and the numbers on the cards matched the invalid numbers we obtained from the payroll file. The other file did not contain a copy of the employee's social security card. We interviewed three of these seven employees and all three employees indicated that their social security cards had not been issued by the Social Security Administration, but had been purchased from various sources. The other four employees that appeared to have invalid SSNs had either resigned or were on leave at the time of our interviews. Six of the employees' files also contained copies of North Carolina issued drivers license or identification cards. We verified with the Division of Motor Vehicles that these were valid.
- Four employees' SSNs had been keyed incorrectly into the payroll system.

For the 17 students;

- Six of the student employees' SSNs had been keyed incorrectly into the payroll system.
- Two students had Division of Homeland Security work numbers instead of SSNs.
- Five students were using their student registration number instead of a valid SSN.
- The university could not provide us files for four students. The payroll checks had been cancelled by the University for two of these students.

For the 10 employees identified above whose SSN had been keyed incorrectly into the system, the university had entered a valid SSN in the payroll system for them prior to our review. However payroll transactions were still associated with the incorrect SSN for seven of these employees.

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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The Department of Justice, Immigration and Naturalization Service's Handbook for Employers states that "Persons or entities who are convicted of having engaged in a pattern or practice of knowingly hiring unauthorized aliens (or continuing to employ aliens knowing that they are or have become unauthorized to work in the United States) after November 6, 1986, may face fines of up to \$3,000 per employee and/or 6 months imprisonment."

*Recommendation:* NCCU should follow-up on the employees that have used fraudulent documents to obtain employment and take appropriate action against these employees. As discussed later in this report, NCCU should be investigating monthly, employees appearing on the "Monthly SSA Verification Error Report" provided to them by the Office of State Controller.

NCCU should investigate and correct all keypunch errors on a timely basis. These employees would also appear on the monthly exception report noted above.

NCCU should also obtain I-9 Forms and SSNs from students.

*Auditee's Response:* The University has begun the process of following up on fraudulent documents and has taken appropriate actions. The University has also started back its review of the "Monthly SSA Verification Error Report", which includes investigating keypunch errors.

The University has a history of obtaining Form I-9s for work-study students. An emergency memorandum was issued to the campus explaining the federal requirements for all student employees. Additionally, I-9 training will be provided to the campus.

## **2. NCCU EMPLOYEES HAVE SOCIAL SECURITY NUMBERS THAT ARE ASSIGNED TO PEOPLE WHO ARE DECEASED.**

We matched social security numbers (SSNs) from the university payroll file to the social security file of deceased persons. Fourteen NCCU employees had SSNs that matched the SSN of a deceased person. The employee's name was different than the name on the Social Security Administration's deceased persons file.

Of these fourteen employees we noted the following:

- Eleven employee SSNs were keypunch errors. Seven of these errors had not been corrected at the time of our audit and employee payments were still shown with the invalid number in the payroll file.
- Two employee SSNs matched the number on their social security card in their personnel file. An independent verification service confirmed that these SSNs were assigned to deceased people instead of the employees on NCCU's

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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payroll. We interviewed these employees and they confirmed that the cards had been purchased and were not valid cards. One of the employees interviewed indicated that this problem was more widespread than our lists of potentially invalid numbers indicated. We also verified with the Division of Motor Vehicles that these two employees had obtained a valid NC drivers license or identification card.

- The SSN used by a graduate student, who is no longer employed at the university, was issued to another person in 1965. An independent verification service confirmed the social security number in question. This employee's personnel file did not contain an I-9 form or a copy of the employee's social security card so we were unable to determine the cause of this error. The payroll office plans to mail an official letter to the former graduate student to resolve the issue.

*Recommendation:* NCCU should correct keypunch errors on a timely basis. The university should investigate the employees who are using SSNs assigned to deceased people and take appropriate action. The university should make an effort to obtain the required documentation from the graduate student to resolve this issue.

*Auditee's Response:* The University has begun the process of following up on fraudulent documents and has taken appropriate actions. The University has also started back its review of the "Monthly SSA Verification Error Report", which includes investigating keypunch errors.

The University has a history of obtaining Form I-9s for work-study students. An emergency memorandum was issued to the campus explaining the federal requirements for all student employees. Additionally, I-9 training will be provided to the campus.

### **3. NCCU EMPLOYEES HAVE NAMES THAT DO NOT MATCH THE RECORDS OF THE SOCIAL SECURITY ADMINISTRATION. THESE SSNs ARE ASSIGNED TO PEOPLE WHO ARE NOT DECEASED.**

In order to follow-up on the employee's comment that additional employees may have invalid SSNs we selected an additional 18 university employees to determine if their name matched the name on file at the Social Security Administration. These were employees that did not appear on any of our exception reports (i.e. the SSNs are valid and belong to people who are not deceased). Thirteen of these employees had names that did not match with the name on file at the Social Security Administration.

These SSNs could be the result of keypunch errors, name changes not registered with the Social Security Administration or numbers from purchased illegal social security cards. Additional research indicates some of these SSNs may have more than one name associated with them.

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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*Recommendation:* NCCU should investigate these employees and determine the reason that their names do not match with the names on file with the Social Security Administration.

*Auditee's Response:* The University has begun the process of determining why the names do not match. Training was provided by the Social Security Administration regarding federal employment validation tools and resources, which includes online verification services.

### **4. NCCU DOES NOT HAVE I-9 FORMS FOR SOME OF THEIR STUDENT EMPLOYEES.**

As noted in finding 1, 17 of the files we examined were student files. Eleven of these students did not have an I-9 form in their personnel file. I-9 forms should be filled out for all student employees hired by the university.

The Department of Justice, Immigration and Naturalization Service's Handbook for Employers states that "Employers who fail to properly complete, retain, and/or make available for inspection Forms I-9 as required by law may face civil money penalties of not less than \$100 and not more than \$1,000 for each employee for whom the Form I-9 was not properly completed, retained, and/or made available."

*Recommendation:* NCCU should investigate all current student employee files, complete any missing I-9s to ensure that the proper I-9 information is verified and on file for these employees. NCCU should implement procedures to ensure that all future student employees have the appropriate I-9 documentation on file.

*Auditee's Response:* All current student-employee files will be investigated for complete form I-9s and documentation.

The University has a history of obtaining Form I-9s for work-study students. An emergency memorandum was issued to the campus explaining the federal requirements for all student employees. Additionally, I-9 training will be provided to the campus.

### **5. NCCU IS NOT USING THE "MONTHLY SSA VERIFICATION ERROR REPORT" PROVIDED BY THE OFFICE OF STATE CONTROLLER.**

Every month, the Office of State Controller (OSC) provides a "Monthly SSA Verification Error Report" to all agencies on the Central Payroll System including NCCU which uses the Central Payroll System to process its payroll. This report contains the names of the employees whose name, date of birth, gender, or social security number do not match the Social Security Administration records. NCCU had 146 names on the report as of July 25, 2006. The Office of State Controller sends

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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notices to the agencies, both monthly and quarterly, reminding them of the names on the report.

During an interview with the director of disbursements, she confirmed NCCU had not been using the report. She said if they had a concern about the social security number, they would ask the employee to bring the social security card in to make sure NCCU had the correct social security number in its system. She said they had not previously directed anyone to the Social Security Administration to have the question resolved.

According to the Social Security Administration's web site, if a social security number fails verification, the employer should compare the failed social security number with the employment records to check for typographical errors. If the employment records and the name and social security number shown on the social security card match, the employer is instructed to ask the employee to check with the local Social Security office to determine and resolve the issue. Once the employee visits the Social Security Office, they should inform the employer of any changes. If the employee is unable to provide a valid social security number, the employer should document its efforts to obtain the corrected information.

NCCU is not using the "Monthly SSA Verification Report" that OSC provides to them each month. Many of the errors we found above were also documented on this report. If NCCU had been using this report and investigating the issues identified in it, 18 of the errors we found could have been resolved.

*Recommendation:* NCCU should utilize the "Monthly SSA Verification Error Report" provided to them by the Office of State Controller. The exceptions identified on this report should be investigated and resolved in a timely manner.

*Auditee's Response:* The University is using the "Monthly SSA Verification Error Report" again. Errors are investigated by the appropriate units and results reported back to the Payroll Office for submission to the Office of the State Controller.

### **6. NCCU OVERPAID ONE UNIVERSITY EMPLOYEE.**

We obtained a list from Central Payroll files of employees who received bonus pay in excess of \$1,000 for the period July 1, 2005 through June 30, 2006. There were 210 NCCU employees on this list. Our examination of 31 files revealed that these payments were not actually bonuses but payments for additional contracts, supplements, or pay split between multiple centers.

In our examination of these payments, we identified one employee who was overpaid by \$3,000 on the January 31, 2006 payroll. The employee was paid \$3,000 on the December 20, 2005 payroll for a one-time payment contract. As the January payroll transmittal update was prepared, the one-time payment contract was not purged from

## **FINDINGS AND RECOMMENDATIONS (CONCLUDED)**

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the transmittal creating a duplicate payment for services. This payroll error is pending corrective action at this time.

North Carolina General Statute §143-64.80 requires overpayments of State funds to be recouped by the entity that made the overpayment.

*Recommendation:* We recommend that the employee be notified of the overpayment immediately and a request for repayment be initiated. Extra care should be taken to ensure that payroll transactions are valid.

*Auditee's Response:* We concur. The employee was notified and a repayment plan established.

## **ORDERING INFORMATION**

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