

Arizona State University
Employee Benefits
09/30/2021

Summary: The Employee Benefits audit was included in the Arizona State University (ASU) FY 2021 audit plan approved by the Arizona Board of Regents (ABOR) Audit Committee and ASU Senior Leadership. The audit focused on the design and operating effectiveness of processes and controls to ensure employee benefits are set up and processed accurately and timely.

Background: Arizona State University offers employees that work more than 20 hours a week a comprehensive benefits package. Employees must enroll for health, dental, life and disability benefits through the Arizona Department of Administration (ADOA) within 30 days of hire, eligibility date, or qualified-life-event effective date. There is also an open enrollment period offered each fall for elections effective as of January 1st of the following year. Employees must enroll in one of the mandatory retirement plans including the Arizona State Retirement System (ASRS), the Optional Retirement Plan (ORP) or the Public Safety Personnel Retirement System (PSPRS). Enrollment timing varies with each plan. Enrollment for health, dental, life and short term disability is managed through a self-service module in PeopleSoft while enrollment for the retirement plans is through ASU's service provider, Fidelity (ASRS or ORP), or directly with the PSPRS.

The Office of Human Resources (OHR) is responsible for administering the benefits programs utilizing the PeopleSoft Application. The system is configured based on job criteria and employee eligibility which is applied automatically at time of hire or any time a position change is made within PeopleSoft. Once an employee has enrolled, contributions/deductions are withheld each payroll cycle based on elections made and the underlying configuration tables. Automated processes have been established in PeopleSoft to process catch up contributions related to unpaid leave as well as adjustments related to off cycle payroll events.

OHR oversees the enrollment process both from an employee perspective as well as working with the various providers. They also oversee ongoing processing of benefits through various monitoring activities performed weekly or as part of payroll processing to ensure employees are set up accurately within PeopleSoft.

The Commitment Accounting team within Financial Services is responsible for performing the financial reconciliations related to employee deductions and employer contributions and processing the related disbursements to the various providers.

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Audit Objective: The objective of this engagement was to assess the design and operating effectiveness of the controls to ensure timely and accurate processing of employee benefits.

- Ensure employee benefit enrollments are processed timely and accurately
- Ensure employee benefit changes meet defined requirements and are processed timely
- Ensure monitoring processes are effective to identify system or set up errors related to employee benefits in a timely manner
- Ensure employee and employer benefit contributions are reconciled on a monthly basis
- Ensure PeopleSoft benefit related roles are appropriately restricted
- Identify opportunities for improvement

Scope: The scope of the audit focused on the design and operating effectiveness of the controls supporting employee benefits and retirement. The audit focused on the time period of FY2021. The scope of this audit did not address actual PeopleSoft configuration or related change management controls.

At the start of this audit, OHR communicated that settlement procedures for the new provider of the High Deductible Health Savings Account, effective January 1, 2021, were still in process of being established and therefore could not be assessed as part of this review. Management expects to have procedures established and brought current by December, 2021.

Methodology: The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors and accordingly consisted of tests of procedures necessary to provide a reasonable basis for expressing our opinion.

Conclusion: Overall, the Office of Human Resources has generally implemented effective controls related to processing employee benefits. Specifically, effective controls have been implemented to monitor initial benefit enrollment and subsequent changes in a timely and accurate manner although improvement is necessary to ensure data exceptions related to ADOA benefits are resolved in a timely manner. Testing identified that 60% of the exceptions reviewed covering five payroll cycles were not cleared within the subsequent payroll cycle in addition to documentation related to actions performed being incomplete and inconsistent.

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In addition, disbursements to providers were made in a timely and accurate manner and were generally supported by documented reconciliations including appropriate system level source reports representing employee and employer components and related payments. There were isolated instances of aged variances from 2018-2020 identified in some of the reconciliations reviewed; however, balances were not material. The benefits department communicated that they are actively researching these items.

It was also noted that logical access of benefit roles were appropriately restricted; however, the Benefits team is still in process of implementing the Role dashboard that was implemented by the Identity Access Management team earlier this year. It is recommended that the dashboard be fully implemented to document the annual review that is required for all data trustees.

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

General Control Standard (The bulleted items are internal control objectives that apply to the general control standards, and will differ for each audit.)	Control Environment	Finding No.	Page No.
Reliability and Integrity of Financial and Operational Information			
<ul style="list-style-type: none"> • Employee benefit records are maintained in an accurate and complete manner 	Reasonable to Strong Controls in Place	N/A	N/A
<ul style="list-style-type: none"> • Account reconciliations are performed on a monthly basis and outstanding items are resolved timely 	Reasonable to Strong Controls in Place	N/A	N/A
<ul style="list-style-type: none"> • Employee and employer contributions are remitted in a timely and accurate manner 	Reasonable to Strong Controls in Place	N/A	N/A
Effectiveness and Efficiency of Operations			
<ul style="list-style-type: none"> • Employee benefit enrollments are processed in a timely manner 	Reasonable to Strong Controls in Place	N/A	N/A
<ul style="list-style-type: none"> • Qualified Life Events are valid and processed in a timely manner 	Reasonable to Strong Controls in Place	N/A	N/A
<ul style="list-style-type: none"> • Monitoring controls are effective to ensure data issues are resolved in a timely manner 	Opportunity for Improvement	1	7
Safeguarding of Assets			

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<ul style="list-style-type: none">Logical access to benefit roles is appropriately restricted	Reasonable to Strong Controls in Place	N/A	N/A
Compliance with Laws and Regulations	N/A	N/A	N/A