



STATE OF NORTH CAROLINA

STRATEGIC REVIEW

UNC HOSPITALS

CHAPEL HILL, NORTH CAROLINA

JANUARY 2007

OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP

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AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
Mr. Gary L. Park, President
University of North Carolina Hospitals

We have completed a strategic review of potentially invalid social security numbers used by employees at the University of North Carolina Hospitals. 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.

Leslie W. Merritt, Jr.

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

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INTRODUCTION

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 the University of North Carolina Hospitals.

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;
- Verified SSNs using SSA-BSO verification service to confirm the actual owners of assigned SSNs.
- Interviewed appropriate Hospitals' Payroll and Human Resource's staff;
- Interviewed selected employees with invalid SSNs.

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

FINDINGS AND RECOMMENDATIONS

1. SEVEN UNIVERSITY OF NORTH CAROLINA HOSPITALS EMPLOYEES HAVE INVALID SOCIAL SECURITY NUMBERS.

We reviewed the social security numbers (SSNs) of all employees on the University of North Carolina Hospitals payroll and noted that seven employees were identified as having invalid SSNs.

For the seven employees:

- Four employees SSNs were determined to be invalid by the Social Security Administration.

The Social Security Administration's online service confirmed four employee SSNs were invalid, meaning those numbers had never been issued. The four personnel files did not contain a copy of the employee's social security card. We interviewed two of these four employees and one employee acknowledged that her social security card was not issued by the Social Security Administration: instead it was obtained from an individual. The other employee presented his ITIN instead of his SSN. He said his SSN was submitted to IRS so he could be issued an ITIN. We asked him where he obtained the SSN that was currently being used in payroll. He stated that he had received it from the Immigration and Naturalization Service in California. We informed him that the ITIN was not a valid SSN. He said that he was currently applying for permanent residency in the United States and once granted he would receive a new SSN card. The other two employees did not show up for their interviews and resigned during our audit.

- Two employees were issued temporary SSNs by the hospital.

Two of the employee SSNs were temporary numbers assigned to employees pending their SSN applications. The employees' correct SSNs were updated in the payroll office prior to our visit. The employee files contained a copy of the social security cards and the numbers on the cards matched the valid numbers in the payroll file.

- One employee's SSN was keyed incorrectly into the payroll system.

The employee came in for an interview and presented her SSN card to us and it was verified by SSA. We determined that the employee's SSN was keyed incorrectly into the payroll system.

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."

FINDINGS AND RECOMMENDATIONS (CONTINUED)

Recommendation: UNC Hospitals should follow-up on the employees that have used fraudulent documents to obtain employment and take appropriate action against these employees. UNC Hospitals should investigate and correct all keypunch errors on a timely basis. The hospital should develop a written procedure to correct employee SSNs.

Auditee's Response: The Human Resources, Payroll and Legal Departments at UNC Hospitals are working together to address the issue of employees obtaining employment by using fraudulent documents in a manner that is effective while recognizing the rights of the employee during the process of evaluating each issue and determining the appropriate action to be taken.

Written policies and procedures are being developed that will address these issues and provide for the correction of incorrect social security numbers and key punch errors in a timely manner.

2. FOUR UNC HOSPITALS' EMPLOYEES HAVE SOCIAL SECURITY NUMBERS THAT ARE ASSIGNED TO PEOPLE WHO ARE DECEASED.

We matched social security numbers (SSNs) from the hospital payroll file to the social security file of deceased persons. Four employees had SSNs that matched the SSN of a deceased person but with different names from the name on the Social Security Administration's deceased persons file.

Of these four employees we noted the following:

- One employee's SSN was a keying error. The employee came in for an interview and presented his SSN card to us with the correct number. We asked him why he had not had Payroll correct his SSN. He commented that it was always an issue at year end for tax reporting and he had attempted to get it corrected several times in Payroll since November 2000. However, the Human Resources and Payroll records continued to reflect the wrong SSN.
- Three employees were using the SSN of a deceased person according to our matched SSA files. 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 of these employees had been terminated prior to our visit and the other one resigned during our visit when asked to be interviewed in the payroll office.

Recommendation: UNC Hospitals should correct employee SSN keypunch errors on a timely basis. The hospital should verify SSNs for all new employees within three business days to prevent employees from using false SSNs. A documented procedure to correct employee SSNs should be developed.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

Auditee's Response: The Employment Department at UNC Hospitals has been utilizing the SSA database for employment screening purposes, via a vendor, since the database was made available by the SSA. Also, the Human Resources and Payroll Departments at UNC Hospitals are working together to develop procedures and policies that address the need to verify social security numbers at the time of employment and to investigate and correct social security numbers and key punch errors found after initial employment in a timely manner.

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

We selected additional employees from the payroll file to determine if their name and SSNs matched the names on file at the Social Security Administration. These were employees who 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 or SSNs that did not match the names or SSNs on file at the Social Security Administration.

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

Recommendation: The hospital should investigate these employees and take appropriate corrective action. The hospital should also routinely perform SSN verification on the payroll and determine the reason employee names and SSNs do not match with the names or SSNs on file with the Social Security Administration.

Auditee's Response: The Human Resources, Payroll and Legal Departments at UNC Hospitals have worked together to investigate the employees noted above in a manner that was effective while recognizing the rights of the employee during the process of evaluating each issue and determining the appropriate action to be taken.

The Information Services Division of the Hospitals has completed the work needed to systematically perform a SSN verification of all UNC Hospitals employees currently on the payroll. This verification will be completed periodically (on a quarterly basis) so that mismatches, if any, are identified and addressed in a timely manner.

FINDINGS AND RECOMMENDATIONS (CONCLUDED)

4. UNC HOSPITALS HAS NOT PERFORMED THE QUARTERLY VERIFICATION OF SOCIAL SECURITY NUMBERS FOR ITS EMPLOYEES.

A quarterly SSA verification error report is available through SSA-Business Services Online each quarter. UNC Hospitals has not been using this report to verify employees' social security numbers.

The hospital should submit all payroll employees appearing on the quarterly payroll to the social security administration for social security verification. The Social Security Administration will compare the employees' social security numbers to their SSA data base and provide a "SSA Verification Error Report" to the hospital. 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.

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's records, the employee is asked 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.

Recommendation: UNC Hospitals should initiate the quarterly SSA verification error process available to them through the SSA Business Services Online. The exceptions identified on the SSA Verification Error Report should be investigated and resolved in a timely manner.

Auditee's Response: The Information Services Division of the Hospitals has completed the work needed to systematically utilize the SSA Business Service Online. The verification of all current employee SSNs is scheduled to be performed on a quarterly basis and exceptions, if any, will be investigated and resolved in a timely manner according to approved policies and procedures.

ORDERING INFORMATION

Audit reports issued by the Office of the State Auditor can be obtained from the web site at www.ncauditor.net. Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports may be obtained by contacting the:

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