FACILITIES MANAGEMENT

EMPLOYEE INCENTIVE AWARDS

AUDIT REPORT #21-2003

Audit & Advisory Services

September 2021

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Background

In accordance with the UCLA Administration fiscal year 2020-21 audit plan, Audit & Advisory Services (A&AS) performed an audit of internal controls and associated business practices relating to selected employee incentive award programs utilized by the Facilities Management (FM) department.

UCLA FM, a subdivision of UCLA Administration, provides a wide range of services including the maintenance and renovation of building, grounds, and utility infrastructure of the Campus and Medical Enterprise. FM ensures an environment conducive to the educational mission of the University by supplying reliable power, state of the art classrooms and research facilities, and environmentally responsible business practices. The department supports the campus effort to advance sustainability through the Climate Action Plan, waste reduction, recycling, and energy management programs. FM maintains over 12 million square feet of State and non-state funded building space, 415 acres of hardscape, landscape, roadways, utilities distribution infrastructure, and manages construction projects up to $3 million in cost. Under FM oversight, the Chiller Cogeneration Plant produces 85% of the campus demand for power. FM staffs nearly 900 facilities professionals.

Each division within FM is overseen by a Director, who reports to the Assistant Vice Chancellor of Facilities Management.

The Human Resource and Payroll Center – South (HRPC-South) assists the divisions and monitors the recognition award programs available in FM, which includes On-the-Spot awards, Staff Appreciation and Recognition (STAR) awards, Safety Challenge awards, and Employee of the Quarter awards.

Purpose and Scope

The primary purpose of the review was to ensure that the internal controls and procedures related to employee incentive awards are conducive to accomplishing its business objectives. The secondary purpose was to evaluate the adequacy of internal controls.

The scope of the audit focused on the following activities:

* On-the-Spot Awards
* Safety Challenge Awards
* Staff Appreciation and Recognition (STAR) Awards
* Employee of the Quarter

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included interviews, tests of records, and other auditing procedures considered necessary to achieve the audit purpose.

Summary Opinion

Based on the results of the work performed within the scope of the audit, FM’s internal controls and procedures related to employee incentive awards are generally conducive to achieving its business objectives. However, certain controls and business practices could be further strengthened by implementing the following:

*On-the-Spot Awards*

* Management should strengthen controls over the employee incentive award process to ensure all award sign out forms are fully completed by the departmental staff involved in picking up the awards, distributing the awards, and the employees who receive the awards. Management should also remind staff to return all completed award sign out forms to HRPC – South in a timely fashion.
* Management should work with the UCLA Payment Solutions & Compliance unit to determine whether the Custodial and Grounds safe meets the UCLA Safe Requirements based on the cash and cash equivalents stored in the safe. Management should also ensure that the safe is maintained in accordance with all requirements of UC Policy BUS-49.

The audit results and corresponding recommendations are detailed in the following sections of the report.

Audit Results and Recommendations

On-the-Spot Awards

On-the-Spot (OTS) awards are non-cash awards provided to employees for individual or team achievements, such as an individual employee contribution of measurable significance, exemplary team effort and/or leadership, dedication to organizational goals, etc. Nominations may be made by an employee’s immediate supervisor or another supervisor, manager, or director, and each employee receives an award in the form of a $75 gift card. The maximum number of awards an employee can receive in a calendar year is three awards totaling $225.

HRPC-South monitors the issuance of OTS awards and will notify division directors if an employee is nominated for an award but has already reached the per-person limit for the calendar year. Employees are awarded gift cards that are ordered on a case-by-case basis. Gift cards are not ordered in bulk, nor in advance of when they are needed. Usually one or two gift cards are ordered at a time.

For fiscal year 2019-20, FM management provided 36 OTS awards to their staff that totaled $2,700. Audit test work included review of a sample of five OTS award recipients in fiscal year 2019-20. Nomination forms, award sign out forms, and gift card labels were examined to verify whether nomination forms were completed properly, forms were approved by appropriate personnel, and award recipients received the gift cards. Additionally, discussions were held with three division directors to determine whether the physical security and accountability controls over gift cards are adequate. The following were noted:

A Gift Card Distribution

Based on audit test work performed of the five OTS award recipients, all nomination forms were completed properly and approved by appropriate personnel; however, A&AS was unable to confirm whether one intended awardee received the gift card because the award sign out form was not signed by the gift card recipient. Based on discussion with HRPC-South, the award sign out form was not returned to them from the department. HRPC-South staff also noted that it generally takes a while to obtain completed award sign out forms from FM. In another instance, the award sign out form did not contain the award recipient’s signature because the employee has been on a long-term leave. He has not received the gift card, which is reportedly being stored in an FM safe until the employee returns. However, there was also no evidence that the FM employee responsible for picking up the gift card from HRPC-South signed the form acknowledging a transfer of custody for the card.

Without the complete sets of signatures on all related award documentation, individual accountability over gift cards is weakened and the risk of loss or theft is increased.

Recommendation: Management should strengthen controls over the employee incentive award process to ensure all award sign out forms are fully completed by the departmental staff involved in picking up the awards, distributing the awards, and the employees who receive the awards. Management should also remind staff to return all completed award sign out forms to HRPC-South in a timely fashion.

Response: FM will develop a gift card issuance standard operating procedure (SOP) by 9/15/21 and communicate it to the departmental representative responsible for picking up the cards and distributing them to the awardees. The SOP will also address signature collection and completed signature sheet returns to HRPC-South.

B. Physical Security of Gift Cards

A&AS held discussions with three division directors within FM (Energy Services, Information Technology, and Custodial & Grounds) to determine whether gift cards are adequately secured. In two of the divisions reviewed, gift cards are typically stored in locked desk drawers. However, for one of the divisions reviewed, a small safe is utilized to store gift cards while awaiting distribution. The vault is stored in the Director of Custodial & Grounds’ locked office, and he is the only person with access. Due to the COVID-19 pandemic, an in-person walkthrough of the director’s office and observation of the safe was not possible.

Based on discussion with the Custodial & Grounds (C&G) Director, the vault is opened with a combination that is not under dual control. UC Business and Finance Bulletin BUS-49, “Policy for Cash and Cash Equivalents Received” (BUS-49), Section IX.4 states, "Cash and cash equivalents must be locked in a secure receptacle or safe at all times except when signed out by a cashier for working cash.” UCLA Safe Requirements related to this policy mandate that all safes include dual locks, i.e., two keys or a key and combination that would require two authorized individuals to be present to access the safe.

In addition, while the combination is changed annually, the change is not documented. UC Policy BUS-49, Section IX.11 states, "Documentation must be maintained showing the date and the reason for the combination changes."

Further, a record of the combination is not maintained away from the safe area. UC Policy BUS-49, Section IX.8 states that “a record of the combination, sealed and opened only under double-custody to prevent undetected access, must be maintained away from the safe area.”

Recommendation: Management should work with the UCLA Payment Solutions & Compliance unit to determine whether the C&G safe meets the UCLA Safe Requirements based on the cash and cash equivalents stored in the safe. Management should also ensure that the safe is maintained in accordance with all requirements of UC Policy BUS-49.

Response: C&G will discontinue the use of the safe. When the C&G manager receives the cards from HRPC, they will quickly distribute the cards to the awardees. If an awardee is not available to receive their card, the card will be stored in a locked cabinet\drawer inside a locked manager's office pending their return.

Safety Challenge Awards

The Safety Challenge award is an incentive award designed to remind individual work units within FM and their respective employees that adhering to safety rules is important because it prevents work injuries from occurring. The award used to be based on reported injuries; however, the criteria has been revised to be based on units and individuals completing required safety trainings instead. Every month, FM receives a BSAFE training topic from Environmental Health & Safety (EH&S) that is presented to personnel, where applicable.

Audit work included discussions with management to determine whether Safety Challenge awards are being granted to employees that adhere to safety rules, procedures, and protocols. Based on discussions with management, the Safety Challenge awards have been suspended because the incumbent Safety Officer resigned in May 2020, and there has been difficulty filling the position. Since the position has been vacant, no Safety Challenge awards have been granted. Management is currently in the process of filling the vacant position with a new Safety Officer.

There were no significant control weaknesses noted in this area.

Staff Appreciation and Recognition (STAR) Awards

The STAR Plan was established to provide discretionary cash awards that recognize and reward excellence in University service, significant achievements and contributions, and outstanding individual or team performance. Policy-covered career Professional & Support Staff (PSS), Management & Senior Professional (MSP), and Clerical (CX) and Skilled Trades Unit (K4) employees are eligible for STAR Plan cash awards if guidelines are met. Exclusively represented staff members are not eligible to participate in or receive awards under the STAR plan. To be eligible for a STAR award, employees must have successfully completed their probationary period, if applicable, be on active pay status or an approved unpaid leave, and have received a “Meets Expectations” or better overall rating on their most recent annual performance evaluation. For fiscal years 2018-19 and 2019-20, FM management provided 153 STAR awards to department staff totaling $199,350.

Audit work included a review of 10 STAR award recipients in fiscal years 2018-19 and 2019-20 with total awards of $17,350 for the sample items. Nomination forms, performance evaluations, and salary information were examined to verify whether the employees met performance standards on their most recent annual performance evaluations, single and cumulative awards within the plan year did not exceed 10% of the employee’s base salary or the dollar amount limit set for the fiscal year, the STAR Plan nomination forms were properly completed, and the nomination forms were reviewed and approved by the appropriate personnel.

There were no significant control weaknesses noted in this area.

Employee of the Quarter

In fiscal year 2018-19, FM implemented an Employee of the Quarter program. It was designed and implemented to recognize the top performing employees in the department. Employee of the Quarter is a recognition award that consists of the recipient’s picture being placed on a plaque and posted in the building. There are three award slots available each quarter – one from each of the following FM units: C&G, Maintenance & Alterations, and “Support Services,” which includes all of the other divisions in FM. Each recipient also receives a $75 gift card, in accordance with UC Policy G-41, “Employee Non-Cash Awards and Other Gifts.”

At the beginning of each quarter, the Assistant Vice Chancellor sends an email to division heads requesting nominations. Managers provide recommendations to the directors along with their justification for the nomination. The directors then select the best candidate from each of their divisions and submit a nomination form to the Assistant Vice Chancellor. The directors, the FM Executive Officer, and the Assistant Vice Chancellor then meet to review the nominees and vote on one recipient from the “Support Services” groups.

Based on discussions with management about current procedures and practices, Employee of the Quarter recipients receive gift cards that meet the per-person limits. In addition, A&AS review determined that the approval process for nominating and selecting the Employee of the Quarter appears to be adequate.

There were no significant control weaknesses noted in this area.

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