UC Path Payroll Exceptions

Internal Audit Report No. I2022-209

October 12, 2022

Prepared By
Julie Chung, Senior Auditor
Reviewed By
Helen Templin, Principal Auditor
Approved By
Mike Bathke, Director

October 12, 2022

MARY EK
CONTROLLER AND ASSISTANT VICE CHANCELLOR
ACCOUNTING AND FISCAL SERVICES

RE: UC Path Payroll Exceptions Audit
      Report No. I2022-209

Internal Audit Services performed a preliminary review of payroll exceptions in UC Path and the final report is attached.

We extend our gratitude and appreciation to all personnel with whom we had contact while conducting our review. If you have any questions, please do not hesitate to contact me.

Sincerely,

Mike Bathke
Director

Attachment

C: Audit Committee
    Juan Diaz, Director of Payroll Services – Accounting and Fiscal Services
    Georgana Thompson Simonowitz, UCI UCPath Project Director – UCI UCPath

I.   MANAGEMENT SUMMARY

In accordance with the fiscal year (FY) 2021-2022 audit plan, Internal Audit Services (IAS) reviewed the procedures and processes for managing payroll exceptions in UCPath.

However, based on the preliminary review performed, IAS determined that a UCPath report with appropriate data fields, such as reason codes for overpayments with overpaid amounts, was not available at this time. Therefore, due to a lack of an appropriate UCPath report necessary for this review, IAS did not proceed since it was not possible to properly or efficiently perform an accurate and meaningful audit. Furthermore, IAS also determined that appropriate reports were not currently available for Central Payroll to properly and efficiently monitor and track payroll errors. This observation is discussed in Section V.1 below.

II.   BACKGROUND

UCPath, a one-of-a-kind human resource and payroll online tool, replaced the former Payroll Personnel System (PPS), an outdated payroll and personnel system which was nearly 40 years old. UCPath introduced modern technology to unify and standardize payroll, benefits, and human resources for all UC employees. It leverages modern technology and centralizes final acceptance of transactions to assure consistency, data integrity, and policy compliance across the entire UC system.

UCPath brings together academic and staff payroll and human resources which includes payroll records, health and retirement benefits, vacation/sick time accruals, as well as performance ratings through a self-service web portal and service center for more than 225,000 University of California employees at its ten campuses, five medical centers, national laboratory, and the Office of the President, as well as Hastings College of Law and the Division of Agriculture and Natural Resources. The UCPath system processes thousands of human resources and payroll-related transactions, many of which are input by UC staff at each location, and then processed by staff at the UCPath Center (UCPC) in Riverside, California. UCPC is the systemwide shared transactional and service hub.

In December 2019, UCPath was deployed at the UCI campus and medical center. In the following year, UC marked a critical milestone by finalizing the systemwide implementation of UCPath. Systemwide integration allows all UC locations to provide consistent shared services while streamlining more than 100 UC-wide business processes.

With UCPath deployment completed systemwide, the next phase will be to focus on optimizing the UCPath platform by enhancing the user-experience and how business is managed with upgraded technology, standardized processes, and shared services.

III.   PURPOSE, SCOPE, AND OBJECTIVES

The purpose of this audit was to review the current established practices and processes as well as assess the internal controls in resolving payroll errors. For testing purposes, the following objectives and scope were established.

1. Review processes and practices for payroll errors. Determine if there are any internal control weaknesses and that implemented processes and practices follow best business practices.

2. Review monitoring and tracking of payroll errors. Determine if there are any internal control weaknesses in the monitoring and tracking of payroll errors.

IV.   CONCLUSION

IAS noted that the critical reports necessary for proper follow up, oversight, and monitoring were not available in UCPath for review.

Observation details were discussed with management, who formulated action plans to address the issues. These details are presented below.

V.   OBSERVATIONS AND MANAGEMENT ACTION PLANS

1. Insufficient Reporting Regarding Payroll Errors

Background

Payroll errors for biweekly staff occur primarily due to time reporting errors committed by either the employee, supervisor, or Departmental Time Administrator. Payroll errors for salaried staff are mainly due to job errors, Human Resource (HR) actions, such as entering the incorrect pay rates or timeliness issues. In some instances, payroll errors are due to system errors.

Currently, payroll errors and discrepancies, intentional or unintentional, are detected through payroll reconciliations performed by campus departments or complaints raised by employees. Therefore, payrolls errors, including transaction amounts that are incorrect, invalid, or not properly authorized, are not detected if payroll reconciliation is not performed consistently, thoroughly, or in a timely manner.

The campus departments have three methods to correct/adjust payroll errors:

1. Initiate PayRequests (E-078) in UCPath to correct/adjust payroll errors (overpayments and underpayments). Then Central Payroll reviews all PayRequests before they are submitted to UCPath for processing.

2. Request Central Payroll to upload files online to UCPath to process payroll errors. Although Central Payroll uploads files to UCPath, the payroll corrections/adjustments are not reviewed.

3. Open a case directly with the UCPC office located at Riverside. Under this method, Central Payroll is not notified that departments and/or staff have opened cases to process payroll corrections/adjustments.

Observation

Based on the review of current processes and practices for payroll error reporting, processing, management, monitoring, and corrections/adjustments in UCPath, there are opportunities in improving the identifying and tracking of the correction of payroll errors under the methods mentioned above. The UCI UCPath IT management stated, "Unfortunately we currently do not have the necessary tables related to E-078 Payroll Request in our local UCPath data store to support the audit request. These tables are among the list of new tables UCI requested UCPath Central to include in data sent to locations, however, due to the lengthy and complex review/approval process, we are still a few months out before being able to receive data for the E-078 tables. The data will enable us to partially meet the audit requirements. The 'Breakdown of Overpayment' item will definitely require further discussion in the future to determine whether data is available in UCI local UCPath data store." Therefore, due to a lack of appropriate UCPath data sets necessary for analysis, IAS did not proceed in conducting the audit since it was not possible to properly or efficiently perform an accurate and meaningful review.

Reports containing all relevant data will aid Central Payroll in managing and monitoring payroll exceptions in an efficient and accurate manner.

Management Action Plan

Central Payroll is currently in the process of acquiring and developing data to track, review, and monitor overpayments. IAS will revisit this issue in the FY2022-23 audit plan.