CAPITAL PROGRAMS

EMPLOYEE TIME AND ATTENDANCE REPORTING

AUDIT REPORT #20-2101

Audit & Advisory Services

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Background

In accordance with the Campus fiscal year 2019-20 audit plan, Audit & Advisory Services (A&AS) conducted an audit of internal controls and associated procedures established to facilitate and govern employee time and attendance reporting functions within the UCLA Capital Programs department.

*Capital Programs Overview*

The Capital Programs department is responsible for conceptualizing, planning, designing, and constructing major capital construction and renovation projects at UCLA. Projects having total costs of $1 million and above are considered major capital construction. Capital Programs develops financial strategies, obtains project approvals, reviews plans and specifications, completes environmental reviews, prepares and negotiates construction contracts, coordinates staging plans, and serves as a repository for project records and as-built plans.

The department’s mission is to create projects that “support the instruction and research mission of the University by providing a physical campus environment that fosters excellence, creativity, and a sense of community.” Capital projects are developed to take into account UCLA land use priorities, established physical designs, University policies and procedures, environmental and regulatory requirements, and community interests.

The Capital Programs department consists of the following two areas:

*Capital Planning and Finance* – responsible for planning, environmental assessment, project budgeting, and project financial services including contracts administration. This area is led by an Associate Vice Chancellor who reports to the Vice Chancellor and Chief Financial Officer.

*Design and Construction* – responsible for project design, engineering, permitting and inspection services, project management, and construction management activities. This area is led by an Associate Vice Chancellor who reports to the Vice Chancellor and Chief Financial Officer.

The Human Resources and Information Technology units are both headed by managers who report to the Associate Vice Chancellor of Capital Planning and Finance. The Capital Programs department consists of 64 employees.

Purpose and Scope

The primary purpose of the review was to ensure that Capital Programs organizational structure and controls surrounding its employee time and attendance reporting processes are conducive to accomplishing its business objectives. Where applicable, compliance with University policies and procedures was also evaluated.

The scope of the audit focused on the following areas:

* Employee Timesheets
* Overtime
* Information Technology
* Accountability Structure

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

Summary Opinion

Based on the results of the work performed within the scope of the audit, Capital Programs’ organizational structure and controls are generally conducive to accomplishing its business objectives related to time and attendance reporting processes. However, controls and business practices could be further strengthened by implementing the following:

*Timesheet Review and Approval*

* Management should ensure that employees are submitting their timesheets, and that supervisors are approving them prior to the departmental deadline.

*Accruals*

* Management should establish appropriate milestone accrual rates and limits into the CapSTAR (Capital Projects Status, Tracking, and Reporting) system so that they are consistent with UCPath. For unresolved accrual cases, management should ensure that vacation and sick leave accruals are researched, reconciled, and corrected to match UCPath records.

*Accountability Structure – Distributed Administrative Computing Security System (DACSS)*

* Management should continue to ensure that assigned DACSS functions are appropriate for its employees, and to collaborate with A&AS to correct any DACSS/UCPath sync errors.

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

Audit Results and Recommendations

Timesheets

A&AS met with management to obtain an understanding of procedures related to timesheet review, approval, accruals, and adjustments. Audit testing was performed to verify that supervisors are reviewing and approving their assigned employees’ timesheets, and whether timesheets are reviewed and submitted in a timely manner. Accruals were also reviewed to verify that CapSTAR vacation and sick leave balances match UCPath records, and adequate supporting documentation is maintained. Adjustments were examined to verify that proper authorization was obtained and timeliness of processing.

Timesheet Review and Approval

A&AS obtained and reviewed time verification reports for the four weekly periods ending March 23, April 20, May 25, and June 29, 2019, from CapSTAR's Timesheets application. These time verification reports were evaluated for compliance with departmental deadlines and to determine whether supervisors are reviewing and approving their employees’ timesheets on a timely basis. There were 225 time record line items for the four weekly periods noted above.

Utilizing data analytics, A&AS compared information from the Capital Programs organizational chart with electronic data from the time verification reports to assess whether approving supervisors are properly associated with assigned employee time submissions.

Per Capital Programs’ timesheet submission and approval procedure, timesheets should be submitted by each Friday or the following Monday, and approved by the supervisor on that same Monday. Additional data analytics was performed to identify all line items that had submission and approval dates past the departmental deadline.

Based on the analysis performed, all 225 time entries for the CapSTAR timesheets report for the periods tested had proper supervisor approval. However, there were 13 timesheets (about 6%) that were not submitted on a timely basis, and 49 timesheets (nearly 22%) that did not receive timely supervisor approval. The lack of consistent time sheet submittal and supervisory approval could lead to unreliable and inaccurate CapSTAR timesheet reporting, and affect the efficiency and effectiveness of operations.

Recommendation: Management should ensure that employees are submitting, and supervisors are approving timesheets prior to the departmental deadline in a consistent manner. Written reminders should be distributed whenever management deems it necessary.

Response: CapSTAR will be programmed to send out the first reminder on Friday mornings to all employees to complete their timesheets by the end of the work week (Friday afternoon for most people; Saturday for the Inspectors who work on Saturdays). Employees will continue to receive daily reminders until their timesheet has been submitted. Two reminders from CapSTAR will be sent to supervisors, one on Monday mornings and the second on Monday afternoons, to have them review timesheets prior to the end of the day. If a payroll deadline falls on a Monday, the HR Manager will remind all staff that supervisors must review timesheets prior to Monday at 8:00 a.m. (employees will still need to submit their time by the end of day Friday (or Saturday for those working overtime).

Accruals

Because of the transition from the UCLA Personnel & Payroll System to UCPath, accruals for employees were reviewed to verify whether vacation and sick leave balances reported in UCPath matched those maintained in CapSTAR. A judgmental sample of resolved instances of accrual balance variances were also reviewed with the Capital Programs Personnel Manager to determine the adequacy of related supporting documentation. Meetings were held with the Personnel Manager to discuss the department’s resolution processes and procedures when vacation and sick leave accrual variances are identified.

For two recently resolved accrual balance variances, A&AS assessed supporting documentation, including workpapers and other documents maintained within employee files, notes from CapSTAR, UCPath reports, Campus Data Warehouse (CDW) Personnel & Payroll System reports, and CapSTAR accrual usage reports.

Three employees have unresolved vacation and sick leave balance variances between UCPath and CapSTAR. Employee accruals and variances as of September 27, 2019, are listed below.

VACATION

|  |  |  |  |
| --- | --- | --- | --- |
| **Employee** | **UCPath** | **CapSTAR** | **Variance** |
| Employee 1 | 340.49638 | 384.00 | 43.50 |
| Employee 2 | 308.74195 | 284.08 | 24.66 |
| Employee 3 | 356.26928 | 372.50 | 16.23 |

SICK LEAVE

|  |  |  |  |
| --- | --- | --- | --- |
| **Employee** | **UCPath** | **CapSTAR** | **Variance** |
| Employee 1 |  2104.54689 |  2096.79 |  7.76 |
| Employee 2 |  1907.05162 |  1927.79 |  20.73 |
| Employee 3 |  1300.09435 |  1294.79 |  5.30 |

Employee 1 identified variances when viewing the UCPath dashboard. It appears that these variances date back prior to 2014. Employee 2 has accrual variances dating back to approximately 2003 which may be associated with exceeding maximum vacation accrual limits. Employee 3 has been close to their maximum vacation accrual limit; however, CapSTAR continued to accrue vacation hours. It was also determined that milestone accrual percentage rates are updated manually in CapSTAR.

Recommendation: Management should program appropriate milestone accrual rates and limits into CapSTAR so that they conform to, and are consistent with UCPath. For unresolved instances of accrual balance variances, management should ensure that vacation and sick leave accruals are researched, reconciled, and corrected to match UCPath records. Once resolved, the employee should agree in writing to the final accrual numbers, and any adjustments should be properly documented. This will provide the employee with accurate accrual amounts that can be used for vacation and sick leave, and enable correct vacation payouts and/or sick leave towards service credit (if applicable) when the employee separates from the University.

Response: Capital Programs has programmed CapSTAR to stop vacation accruals at the policy limit per the appropriate service accrual rate. In addition, CapSTAR will be programmed to provide the HR Manager with a notice of employees with approaching service level changes. This will allow the HR Manager to verify the record and change the rate at the appropriate time.

Adjustments

Adjustments are typically performed because of employee data keying errors on timesheets or from a management-approved transfer of project hours. A&AS obtained CapSTAR’s timesheet corrections report which captures time entry adjustments. An adjustment in the timesheet corrections report has three associated entries: the original entry; the reversing entry; and the correcting entry. The report was generated for adjustments occurring 60 days prior to, and through the report generation date of September 8, 2019.

A sample of 10 adjustments and the associated 30 entries was judgmentally selected to verify whether they were appropriately authorized. Supporting documentation for each sample item was obtained from the Capital Programs Financial Services unit and assessed for adequacy and completeness.

Based on examination of the supporting documentation provided, all 10 adjustments were appropriately authorized by Capital Programs Financial Services management.

There were no significant control weaknesses noted in this area.

Overtime

Interviews were conducted with Capital Programs management to obtain an understanding of departmental processes and procedures regarding overtime hours. Discussions revealed that only Inspectors are pre-approved for overtime hours since they can be called to the job site anytime as required by the demands of the construction project. The Chief Inspector is the supervisor responsible for approving the Inspection group’s timecards.

A&AS obtained the CapSTAR time verification reports for the week-ending periods of March 23, April 20, May 25, and June 29, 2019. The report data was then filtered to identify non-exempt employees that worked more than 40 hours per week, and to determine whether they opted for compensatory time (comp time) or overtime pay. Documentation was obtained from the Chief Inspector for 11 inspectors with overtime hours to verify that overtime is appropriately pre-approved and adequately monitored.

Based on our analysis of the supporting documentation obtained, all 11 inspectors with more than 40 hours worked per week were those from the Inspection Group and there was documented pre-approval from the Chief Inspector for their overtime hours. In addition, the Chief Inspector is reviewing and approving each inspector’s submitted timesheets on a weekly basis.

There were no significant control weaknesses noted in this area.

Information Technology

Meetings were held with department management to discuss timesheet approvers and CapSTAR access. Documentation from a sample of employees and their supervisors was reviewed to verify that the supervisors assigned to approve employee timesheets were appropriate. CapSTAR users were also assessed to validate that they were active employees in UCPath.

CapSTAR Access - Timesheet Approvers

A&AS performed audit testing to verify that each employee’s timesheet was appropriately approved by the assigned supervisor. In instances where the assigned supervisor was unable to approve an employee’s timesheet, the next level supervisor approved the timesheet as a compensating control. The aforementioned sample of 225 time record line items selected in the Timesheet Review and Approval section and discussed earlier was utilized for this analysis. Using this data, the assigned supervisor's name was matched to the approving supervisor for each time record line item in the sample. Based on the results of the analysis, all 225 time entries were verified to have the assigned supervisors approving related employee timesheets.

There were no significant control weaknesses noted in this area.

CapSTAR Access - Active Employees

Electronic CapSTAR user data and an electronic UCPath employee listing were examined and reconciled to verify that active CapSTAR users were also active university employees in UCPath. Audit testing performed on all 64 active CapSTAR users found that all employees are active employees in UCPath. There were no inactive CAPSTAR users or separated employees that continued to have CapSTAR privileges.

There were no significant control weaknesses noted in this area.

Accountability Structure

A&AS discussed the accountability structure with multiple campus sources, including but not limited to, the Central Resource Unit, Information Technology (IT) Services, and the A&AS global Department Security Administrator (DSA). Data analysis was performed to determine whether the Personnel Manager’s assigned DACSS functions were appropriate and limited to Capital Programs transactions (department code 2700). The Personnel Manager indicated having unauthorized initiator and approver access for Administrative Policies and Compliance (department code 3000). Examples of department code 3000 initiator and approver access were reviewed with the Personnel Manager and researched in various UCLA systems reports.

Utilizing a DACSS web report, a list of all functions associated with the Personnel Manager was reviewed. All department codes listed that were not Capital Programs were matched to the campus organizational hierarchy for identification purposes. The DACSS function list was then referenced to determine which functions apply to those other departments identified earlier through the organizational hierarchy. Access and functions were reviewed with the Personnel Manager and Financial Services Assistant Director to confirm their appropriateness.

The CDW report “DACSS Audit Trail By User Logon ID” was generated and reviewed to identify the users that granted and deleted access from the Personnel Manager’s profile. The CDW data was filtered to only show DACSS functions added to or deleted from the Personnel Manager for department code 3000. This data was then reviewed for appropriateness. The resulting data and its audit trail were also discussed with Campus IT Services to ensure proper consideration of the various data entries.

The Personnel Manager’s DACSS/UCPath access and DACSS UCPath Sync Process report was also discussed with the A&AS Audit Supervisor, who is also a DSA. After further review of the DACSS UCPath Sync Process report, it appeared that department code 3000 was still assigned to the Personnel Manager in UCPath, but had already been deleted in DACSS. To remove this function from UCPath, it would have to be added back in DACSS web and subsequently deleted again.

Because of the nature of this issue, Capital Programs agreed to have A&AS facilitate the correction of this sync error to ensure that the Personnel Manager’s DACSS functions are appropriate. Since September 28, 2019, the sync error has been corrected and access for the Personnel Manager is now appropriate and limited to Capital Programs transactions.

Management should continue to ensure that assigned DACSS functions are appropriate for its employees, and to collaborate with A&AS to correct any DACSS/UCPath sync errors, if any, that may arise in the future.

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