

# UCLA AUDIT & ADVISORY SERVICES

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September 4, 2015

SENIOR VICE PRESIDENT/CHIEF COMPLIANCE AND AUDIT OFFICER SHERYL VACCA  
EXECUTIVE VICE CHANCELLOR & PROVOST SCOTT WAUGH:

Re: Human Resources Payroll Center – South Audit Report #15-2245

Enclosed is the audit report covering our review of the Human Resource Payroll Center (HRPC) – South. The primary purpose of the audit was to ensure that HRPC – South’s organizational structure and controls, and the related systems and procedures were conducive to accomplishing its business objectives surrounding personnel and payroll activities. Where applicable, compliance with University policies and procedures was also evaluated.

The scope of the audit included:

- Roles and Responsibilities
- Accountability Structure
- Documentation and Approvals
- Timekeeping and Reporting
- New Hires and Termination
- Reporting Work Related Injuries

Based on the results of the work performed within the scope of the audit, HRPC- South’s internal controls are generally conducive to accomplishing the department’s business objectives surrounding personnel and payroll activities. However, internal controls in the following areas could be strengthened:

- Service Level Agreements (SLAs) should be finalized with each department serviced by HRPC – South to clearly delineate responsibilities.
- The personnel and payroll accountability structure should be reviewed to reflect access that is appropriate and consistent with the department’s organizational structure and job responsibilities.
- Mandatory reviewers should read their Post Authorization Notifications (PANs) within two business days of receipt in accordance with the UCLA Financial Policy.
- Controls over the award program business practices should be strengthened to ensure that they are processed timely, and filed in the employee’s personnel file. In addition, the gift card “Sign Out Forms” should be completely filled out by the departmental staff picking up the awards and the employee who received the award.

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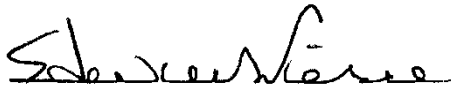
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- Annual performance evaluations should be performed in a timely manner and provided to HRPC – South, so they can be filed in the employee's personnel file.
- The authorized personnel on the "Paycheck Sign Out Reports" should match the personnel listed in the "Payroll Check Authorization" listing.

The corrective actions implemented by management satisfactorily address the audit concerns and recommendations contained in the report. In accordance with our follow-up policy, a review to assess the implementation of our recommendations will be conducted approximately four months from the date of this letter.

Please feel free to contact us if we can be of further assistance.



Edwin D. Pierce, CPA, CFE  
Director

Enclosure

cc: S. Olsen

HUMAN RESOURCES PAYROLL CENTER – SOUTH  
AUDIT REPORT #15-2245

HUMAN RESOURCES PAYROLL CENTER – SOUTH  
AUDIT REPORT #15-2245

Background

In accordance with the UCLA Administration fiscal year 2014-15 audit plan, Audit & Advisory Services (A&AS) has conducted a review of the Human Resource Payroll Center (HRPC) – South.

The Service Center concept began operations in 2004 to provide payroll and personnel support services within UCLA Administration. A decision was made to maximize efficiencies in the Human Resources and Payroll areas, and four Service Centers were created to support departments that were geographically adjacent to those Service Centers. The four Service Centers were consolidated and merged into one Center through the years with two locations (the HRPC – South and the HRPC Administration - North). The HRPC – South has 14 employees and services the following units:

- Central Ticket Office (CTO)
- Events & Transportation (E&T)
- Facilities Management (FM)
- Mail, Document, and Distribution Services (MDDS)
- Environment Health & Safety (EH&S)
- UCLA Police Department (UCPD)

HRPC – South uses the MyHR tool which provides basic employment information to their department and clients. The modules used within this software include employee profile, current salary and salary history, appointment distribution information, years in service, and training.

HRPC –South reports to the HRPC Administration Director, who is also directly responsible for the operations at the North location and reports to the Associate Vice Chancellor for Campus Human Resources. The HRPC Administration Director is also the Director for Human Resources and Payroll for Housing & Hospitality Services

(H&HS). For these responsibilities, the HRPC Administration Director reports up to the Assistant Vice Chancellor of H&HS through a dotted line reporting relationship.

### Purpose and Scope

The primary purpose of the review was to ensure that HRPC – South’s organizational structure and controls, and the related systems and procedures were conducive to accomplishing its business objectives surrounding personnel and payroll activities. Where applicable, compliance with University policies and procedures was also evaluated.

The scope of the engagement focused on the following areas:

- Roles and Responsibilities
- Accountability Structure
- Documentation and Approvals
- Timekeeping and Reporting
- New Hires and Termination
- Reporting Work Related Injuries

The review was conducted in conformance with the *Internal Standards for the Professional Practice of Internal Auditing* and included tests of records, interviews with key personnel, 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, HRPC-South’s internal controls are generally conducive to accomplishing the department’s business objectives surrounding personnel and payroll activities. However, internal controls in the following areas could be strengthened:

- Service Level Agreements (SLAs) should be finalized with each department serviced by HRPC – South to clearly delineate responsibilities.
- The personnel and payroll accountability structure should be reviewed to reflect access that is appropriate and consistent with the department’s organizational structure and job responsibilities.
- Mandatory reviewers should read their Post Authorization Notifications (PANs) within two business days of receipt in accordance with the UCLA Financial Policy.
- Controls over the award program business practices should be strengthened to ensure that they are processed timely, and filed in the employee’s personnel file. In addition, the gift card “Sign Out Forms” should be completely filled out by the departmental staff picking up the awards and the employee who received the award.
- Annual performance evaluations should be performed in a timely manner and provided to HRPC – South, so they can be filed in the employee’s personnel file.
- The authorized personnel on the "Paycheck Sign Out Reports" should match the personnel listed in the "Payroll Check Authorization" listing.

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

## Audit Results and Recommendations

### Roles and Responsibilities

A&AS staff met with the E&T, CTO, FM, and MDDS units to determine if roles and responsibilities are clearly delineated between the HRPC - South and the departments they service.

- Meetings with the units revealed that roles and responsibilities are not delineated between the HRPC – South and the departments they service. There have been many changes in the roles and staffing within the last few years. HRPC - South has already started the process of creating SLAs with each area that will define the role of the departments and HRPC – South, but the SLAs have not been finalized

Recommendation: Management is encouraged to finalize the SLAs with each department serviced by HRPC – South. The SLAs would clearly delineate responsibilities.

Response: Service Level Agreements (“SLAs”) will be finalized and reviewed with each department by Friday, October 2, 2015. The draft of the SLAs was prepared; however, certain roles and responsibilities changed in HRPCS and HRPCS is still hiring staff. In addition, there have been other requests which we have received and are now servicing; these will also be added to the Service Level Agreements.

### Accountability Structure

#### A. Accountability Structure

The personnel and payroll accountability structure for HRPC – South and the departments that it services was reviewed for appropriateness. Specifically, the Distributed Administrative Computing Security System (DACSS) in effect for March 2015 was evaluated for effective delegation of authority in initiating, processing,

and reviewing personnel and payroll transactions, and for adherence to the UCLA Financial Policy on “Principles of Financial Accountability.” According to the UCLA Financial Policy, maintaining and securing an effective accountability structure should provide for the routine update of DACSS to ensure that proper access is granted to inquire, prepare, and/or review transactions.

Overall HRPC – South and the departments reviewed had an effective accountability structure for the delegation of initiating, processing, and reviewing personnel and payroll transactions. However, the following were noted in each of the areas reviewed:

- E&T: A user from Parking Services separated on October 10, 2014, and as of April 28, 2015, continued to have PeopleAdmin access. E&T has notified the Department Security Administrator (DSA) to have this person’s access deleted.
- FM: Two users had access to PeopleAdmin. According to FM, the users do not perform personnel and payroll duties. FM notified the DSA to have their access removed.
- HRPC- South: A previous HRPC- South employee who had transferred to the Venice Family Clinic on Sept 19, 2011, continued to have payroll update and inquiry access to units that fall under the responsibility of the HRPC - South. The user had access to Department 3050, Division 5400, 5401, and SubDivision 5070. HRPC - South has notified the DSA to have the access deleted.

Recommendation: The Chief Administrative Officers (CAOs) for each department should monitor accountability delegations by reviewing quarterly DACSS reports to ensure that the accountability structure reflects access that is appropriate and consistent with the department’s organizational structure and job responsibilities.



Response: The personnel and payroll accountability structure is under review and is targeted to be completed by September 30, 2015. The HRPCS has made some changes and will be making additional changes (i.e., additional staff) to reflect access that is appropriate and consistent with the unit's organizational structure and responsibilities. There is now a procedure for identifying new hires, separating and transferring employees and notifying the DSA of these changes. In addition, the Associate Director of HRPCS has met with Facilities Management CAOs regarding present new hire and separation procedures, revisions to procedures and CAO responsibilities to ensure software access is appropriately maintained and they too are notifying the DSA and IS Helpdesk to remove access when an employee has separated or transferred from Facilities Management.

B. Post Authorization Notifications (PAN) Review

The PAN Aging Reports available on the online Document Direct system were queried to verify that employees who are set up as mandatory payroll reviewers do not have any unread PANs greater than fourteen days. According to the "PAN Aging Report Active" reports obtained from Document Direct on March 5, 2015, 4 employees in departments serviced by the HRPC – South have unread PANs that ranged from 14 to 151 days:

Recommendation: The CAOs should review monthly PAN Aging Reports available via Document Direct to ensure that mandatory reviewers are reading PANs in accordance with the UCLA Financial Policy.

Response: HRPCS is taking steps to ensure the PANs are reviewed by the staff within two business days of receipt in accordance with the UCLA Financial Policy. It is anticipated that HRPCS will be able to consistently review PANs within two business days of receipt as HRPCS hires additional staff with payroll functional responsibilities. For example, HRPCS is presently recruiting an Assistant Director, Payroll Services, and once this position is filled the responsibilities will be better distributed and this should enable all mandatory reviewers to fulfill PAN review

responsibility within policy guidelines. We anticipate that the HRPSCS will be fully staffed by October 1, 2015.

### Documentation and Approvals

#### A. Awards

A sample of 15 non-cash awards processed during fiscal year 2013-14 from E&T, CTO, FM, and MDDS were reviewed to verify that nomination forms had the proper approvals, awards were processed by HRPC-South timely, and proper physical controls existed over the awards (gift cards).

The following issues were noted:

- In 11 instances, the award forms were not in the employee's personnel file and could not be located.
- In 12 instances, documentation (the gift card "Sign Out Form" could not be located) that the employee received the gift card could not be found.
- In one instance, review of the "Sign Out Form" indicated the signature of the departmental staff that picked up the gift card, but the document was not signed by the employee to indicate that they had received the gift card.
- Review of the files showed that some awards were earned and requested by departments, but had not been ordered or distributed by HRPC - South for six months. According to the HRPC – South Director, she became aware of this situation after having discussions with departments and notified her staff that gift cards should be ordered once they receive the award nomination forms.

Recommendation: HRPC – South should strengthen controls over the award process to ensure that they are processed timely, and filed in the employee's personnel file. In addition, the gift card "Sign Out Forms" should be completely filled out by the departmental staff picking up the awards and the employee who received the award.

Response: Controls for the awards program have been changed to timely process On the Spot, Milestone and Safety award requests. The awards are being ordered and processed on a weekly basis. Copies of award certificates are presently being filed in personnel files and there is follow up with the departments to ensure HRPCS receives signatures not only from department representatives but from the employees who have received the award. In addition, all On the Spot, Milestone and Safety award gift cards and meal tickets are maintained and now accounted for within the HRPCS safe. HRPCS has implemented the dual access for retrieval of all items from the safe, and presently has three teams to adequately meet the demands to document and store items in the safe and to retrieve and document retrieval of items from the safe. Those employees with key access do not have code access and code access personnel do not have key access.

B. Performance Evaluations

A sample of 25 employee files from the E&T, CTO, FM, and MDDS departments were reviewed to ensure that performance evaluations were conducted in accordance with University policy. According to UC Personnel Policies for Staff Members (PPSM) - 23: Performance Management “the performance of each employee shall be appraised at least annually in writing by the employee's immediate supervisor, or more frequently in accordance with local procedures.” The following issues were noted:

- Two of the four units are not consistently preparing annual performance evaluations. Review of Facilities Management indicated seven of the ten evaluations tested were not performed annually. The evaluations reviewed were prepared in 2012 and 2013. Review of MDDS indicated one of the two evaluations tested was not prepared annually. The outdated performance review was from 2011.

- One department (Events Office) had not submitted the evaluation to HRPC-South until A&AS inquired on the date of the last evaluation for this employee.
- One department (MDDS) stated they had submitted the evaluations to HRPC – South, but the recent evaluations were not in the employee's personnel file. A&AS provided HRPC- South with copies of the recent evaluations that were obtained from MDDS management.

Recommendation: Department management should ensure annual performance evaluations are prepared in a timely manner and that they are provided to HRPC – South, so they can be filed in the employee's personnel file. In addition, HRPC-South should create procedures to ensure that all documents that are submitted to HRPC- South are properly filed.

Response: The Associate Director of HRPCS has spoken to Facilities Management regarding the timely delivery of annual employee performance evaluations for inclusion in respective employee personnel files. In addition, HRPCS is setting a process for auditing employee performance evaluations to determine which performance evaluations are missing and then following up with the departments to obtain the performance evaluations.

### Timekeeping and Reporting

#### A. Timekeeping and Reporting

Departmental controls over timekeeping were examined for adequacy. For a sample of ten employees, October 2014 Kronos Punch Detail Reports (PDRs) were reviewed to verify that timekeeping data and leave balances are accurately reported.

There were no significant control weaknesses noted in this area.

## B. Payroll Check Distribution Process

The check distribution process was reviewed to ensure that payroll checks were properly safeguarded and distributed in accordance with University policies and procedures. Additionally, storage practices were observed for proper security and accountability.

The HRPC - South has created procedures to help ensure that payroll checks are safeguarded and distributed in accordance with University policy. Payroll checks are kept in a safe while waiting for distribution. The UCLA Payroll Check Disposition form provided to Central Payroll contains HRPC - South staff that is authorized to pick up the paychecks and distribute them to departments. The following issues were noted:

- HRPC - South maintains a "Payroll Check Authorization" listing for departments that it services which indicates staff that are authorized to pick up paychecks. Although the document is a good control, it needs to be updated. Review of the document revealed that the listing of personnel authorized to pick up the paychecks was outdated for some departments, and there were eight departments that were not listed: 3195, 3220, 3290, 3305, 3402, 3407, 3450, and 3470. Once HRPC – South was notified of the issue; they updated the form to include all departments and the current employees who are authorized to pick up the paychecks.
- HRPC – South also has a "Paycheck Sign Out Reports" that is provided to departments with the paychecks and employees are to sign the report when picking up the paychecks. The "Paycheck Sign Out Reports" contains the check date, check number, employee name, and University Identification, and the personnel authorized to pick up a department's paychecks. Review of the reports showed that the list of authorized personnel do not always match the personnel listed in the "Payroll Check Authorization" listing. The authorized

personnel on the "Paycheck Sign Out Reports" should match the personnel listed in the "Payroll Check Authorization" listing.

Recommendation: HRPC – South management should ensure that the authorized personnel on the "Paycheck Sign Out Reports" match the personnel listed in the "Payroll Check Authorization" listing.

Response: HRPCS updated the "Paycheck Sign Out Reports" and the "Payroll Check Authorization" in order for the managers listing to match in both documents. HRPCS is developing a process to address this because as managers change the CAOs are not notifying HRPCS. This is a process in development and should be completed and implemented by September 1, 2015.

### New Hires and Termination

The adequacy of internal controls over new hires, limited employees, and terminations was assessed through sample testing, review of personnel payroll reports, interviews, and review of personnel files. The following were noted:

#### A. New Hire Processing

Review of a sample of 20 employees hired by departments that are serviced by the HRPC – South between January 1, 2013, to December 31, 2014, showed that all employees in the sample had been hired in accordance with University policy and procedures, MyHR personnel and payroll requests were complete, were properly approved, new hire information was provided to the HRPC – South, and background checks were properly requested and obtained.

There were no significant control weaknesses noted in this area.

B. Limited Time Employees

Discussions with management, and review of Document Direct reports and relevant documentation indicated that HRPC – South and the departments they service are proactively monitoring the hours of limited time employee. MyHR automatically sends an e-mail notification to management when an employee is approaching the end of their appointment and Limited Appointment reports on Document Direct are shared with departments.

There were no significant control weaknesses noted in this area.

C. Separation Processing

A sample of 15 employees who have been separated by departments under the responsibility of the HRPC – South during January 1, 2013, to December 31, 2014, was chosen for testing. Review of the personnel files, PANs, MyHR, and the Personnel Payroll System (PPS) showed that files contained all the proper termination documentation and employees were separated in accordance with University policies and procedures, HRPC – South was notified timely, and employees were paid correctly.

There were no significant control weaknesses noted in this area.

Reporting Work Related Injuries

A report obtained from UCLA's Insurance and Risk Management (IRM) for fiscal year 2013-14 was reviewed to ensure timely claims reporting for work related injuries.

Departments under HRPC – South have an average rate of 87.5% of reporting work related injuries timely. In the last six months, the departments have improved and are close to the goal rate of 90%. Departments work closely with HRPC – South in ensuring that employees are reporting work related injuries timely.

There were no significant control weaknesses noted in this area.

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