UCSB Audit and Advisory Services

Internal Audit Report

HR Background Checks

November 28, 2018

Performed by:
Antonio Mañas-Melendez, Associate Director
Irene Camargo, Senior Auditor
Stacy Stone, Staff Auditor

Approved by:
Ashley Andersen, Director

Report No. 08-18-0020

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University of California, Santa Barbara

November 28, 2018

To: Cynthia Señeriz, Director
        Melinda Crawford, Manager, Employment/Training & Development
        Human Resources

Re: **HR Background Checks**
        Audit Report No. 08-18-0020

As part of the 2017-18 annual audit services plan, Audit and Advisory Services has completed an audit of Human Resources Background Checks. Enclosed is the report detailing the results of our review.

The purpose of this audit was to determine whether background checks are being performed for all employees designated in critical positions and that adequate documentation is being retained and consistent with University of California (UC) and University of California, Santa Barbara (UCSB) policies, procedures, and guidance. The scope of this audit was limited to background checks performed during fiscal years 2012-13 and 2017-18.

Our work found there is a need to improve current Human Resources background check practices, tools to provide assurance that background checks are performed for all employees designated in critical positions, and that adequate documentation is being retained. Required enhancements include improving the workflow process to initiate background checks and tracking and reporting tools.

Detailed observations and management corrective actions are included in the following sections of the report. The management corrective actions provided indicate that each audit observation was given thoughtful consideration, and positive measures have been taken or planned in order to implement the management corrective actions.

We sincerely appreciate the cooperation and assistance provided by Human Resources, Department of Recreation, Family Vacation Center, and Orfalea Family Children's Center personnel during the review. If you have any questions, please feel free to contact me.

Respectfully submitted,

Ashley Andersen
Director
Audit and Advisory Services

Enclosure

cc: Chancellor Henry Yang
    Vice Chancellor for Administrative Services Garry Mac Pherson
    Assistant Chancellor for Finance and Resource Management Chuck Haines
    UCSB Audit Committee
    Senior Vice President and Chief Compliance and Audit Officer Alexander Bustamante

PURPOSE

The primary purpose of this audit was to determine whether University of California, Santa Barbara (UCSB) practices for background checks are performed for all employees designated in 'critical' positions and that adequate documentation is being retained and consistent with University of California (UC) and UCSB policies, procedures, and guidance. This audit is part of the fiscal year 2017-18 audit services plan of UCSB Audit and Advisory Services.

SCOPE, OBJECTIVES AND METHODOLOGY

The scope of this audit was limited to background checks performed for critical positions during fiscal years 2012-13 and 2017-18, for detailed review and retention testing.

The objective of our review, of selected requirements from University of California Policy PPSM-21, *Personnel Policies for Staff Members*: *Selection and Appointment* for hiring employees in critical positons, was to determine whether:

- Processes and tools are in place to identify, track, and report background checks.

- Procedures are adequate to ensure employees designated in critical positions complete a background check.

- Adequate controls are in place to restrict access to confidential background check records.

To accomplish our objectives, we:

- Researched and reviewed relevant UC Audit and Advisory Reports related to background checks. (See Table 1).

- Reviewed UC and UCSB policies, best practices, and other guidance concerning background checks, including:

  o University of California Policy PPSM-21, *Personnel Policies for Staff Members*: *Selection and Appointment*, effective date 1/1/18. (UC Policy PPSM-21)
  o University of California Records Retention Schedule*, Background Records Retention Schedule,* Records Retention Code 0004B2. (UC Retention Records Schedule)
  o *UC Santa Barbara Human Resources Guidance on Record Retention for Staff Personnel File Documents*, updated as of 1/26/18. (UCSB Retention Guidelines)
  o University of California Business and Finance Bulletin, Bus-49, *Cash and Cash Equivalents* (UC Policy BUS-49).
  o University of California Business and Finance Bulletin, IS-3, *Electronic Information Security* (UC Policy IS-3).

- Interviewed Human Resources (HR) personnel to gain an understanding of the background check and tracking process.

- Interviewed HR, Department of Recreation, Family Vacation Center, and Orfalea Family Children's Center to get a better understanding of the background check process for employees working with minors.

- Performed a risk analysis that considered UC and UCSB policy and procedures, background check practices, information security, recordkeeping, and fraud risks.

- Evaluated whether HR is adequately identifying and tracking background checks.

- Determined whether employees hired into critical positions received a background check.

- Determined whether documents were retained and disposed of according to the UC Retention Schedule.

- Evaluated whether background check recordkeeping aligns with UC Records Retention Schedule requirements.

- Determined if HR has implemented adequate controls to restrict physical access to confidential background check records.

This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing.*

Table 1	Relevant UC Audit and Advisory Reports		
Report Name		**Year**	**Campus**
Background Checks		2017	UC Irvine
Human Resources (HR) Background Checks		2015	UC San Francisco
Human Resources – Background Checks		2014	UC San Diego
Advisory Service of UC Merced's Background Check Procedures		2014	UC Merced
Campus Background Checks		2014	UC Santa Cruz

Source: Auditor analysis.

BACKGROUND[1]

UCSB is the largest employer in Santa Barbara County with career staff employees occupying management and professional, computing and technical, scientific and laboratory research, administrative and clerical support, service/maintenance, and public safety positions. With a strong commitment to diversity, UCSB fills approximately 500-600 jobs annually. Total campus employment of over 10,000 includes staff, students, teaching assistants, librarians, tenured faculty and lecturers. See Table 2 for number of background checks during our audit period.

To support an effort to minimize risk to the University, a criminal history background check, which is typically conducted as a fingerprint background check, is required on a candidate recommended for hire into a critical position. An offer of employment must be contingent upon completion of a satisfactory criminal history background check.

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[1] Source: UCSB Human Resources website, UC Policy PPSM-21.

Table 2	Background Checks between FY 2012-13 and FY 2017-18					
FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Total
721	1,574	1,619	1,643	1,508	1,803	**8,868**

Source: HR Background Check Database.

To ensure the selection of individuals who possess the qualifications to most effectively perform the duties of the position and who are best able to serve the University's interests, the University requires job-related background information on final candidates for critical positions and employees who are promoted, or transferred into critical positions. Background checks may include, but will not necessarily be limited to, confirmation of an individual's identity, review of an individual's criminal conviction record, if any, or verification of any license, certificate, or degree required for appointment. See Table 3 for relevant UC and UCSB policy, guidance, and procedures.

Table 3	Relevant UC and UCSB Policy, Guidance, and Procedures
Policy/Guidance/System	**Summary**
University of California Policy PPSM-21, *Personnel Policies for Staff Members: Selection and Appointment*	The policy requires job-related background information on final candidates for critical positions and employees who are promoted, reclassified, or transferred into critical positions.
University of California Records Retention Schedule, *Human Resource Records*	A record retention schedule defines the period of time that records should be retained and when they should be destroyed. Various requirements based in law and university policy govern the retention of administrative records. A retention schedule is critical for promoting responsible records management, mitigating risk, and ensuring consistent compliance across UC.
HireRight, Employment Background Check Provider System	The University of California Office of the President (UCOP) has contracted with a third-party vendor, HireRight, to conduct all background check processing and archiving systemwide. The department hiring manager notifies the Human Resource department of their final candidate (or candidates). The candidate is contacted directly by HireRight, and the candidate completes all forms electronically through the HireRight website.

Source: Auditor analysis.

Background Check Records

UCSB provides a safe work environment to protect key organizational assets such as people, property, and personal or other sensitive information. UCSB enables hiring authorities to make prudent employment decisions for career, limited appointment, contract, and student employee positions designated as critical base on UC Policy PPSM-21. For more details, see Table 4.

Table 4	Critical Position Elements in Accordance with PPSM 21
Critical Elements of Critical Positions	**Critical Position Functions or Tasks**
1. Master key access to residence and other facilities	Access to master keys, access to offices for equipment repair, access to residences and other facilities for ongoing maintenance, maintain building security.
2. Direct responsibilities for the care, safety and security of humans or animals; or safety and security of personal and University property.	Access to laboratories, access to computers and other valuable equipment, oversee 4-H activities, provide employee or student counseling and advice services, provide services for children and minors, provide emergency care services, work with research animals.
3. Direct access to or responsibility for cash and cash equivalents or University property disbursements or receipts.	Cashiering, check printing, check writing, distribution of employee salary or reimbursement checks, handling/receipt of development funds, invoice approval and payment, petty cash disbursements, postage meter use.
4. Direct access to or responsibility for controlled substances or hazardous materials.	Access to drugs in clinical or research environments, access to potentially hazardous chemicals, access to radioactive and nuclear materials, dispense prescription medication, maintain drug formulary.
5. Extensive authority for committing the financial resources of the University.	Approve insurance payments, approval of contracts, bid and request for proposal approvals, commit funds for programs and projects, vendor or product approval.
6. Responsibility for operating commercial vehicles, machinery or toxic systems that could cause accidental death, injury, or health problems.	Operation of heavy duty equipment or machinery, operation of commercial vehicles, responders to emergencies involving potentially hazardous substances.
7. Requirement for a professional license, certificate, or degree, the absence of which would expose the University to legal liability and/or adverse public reaction.	Counsel employees or students, design or build facilities and offices, patent licensing, provide legal advice, real estate transactions, render medical services.
8. Direct access to and/or responsibility for information affecting national security.	As defined by agency granting clearance.
9. Direct access to and/or responsibility for protected, personal, or other sensitive data.	Access to donor info, access to employee or student records, access to personal or other restricted sensitive or confidential data, access to protected health information, access to restricted data (as defined in IS-3 Electronic Information Resources), maintain inventories of restricted data, systems maintenance.

Source: UC Policy PPSM 21.

In order to protect a candidate's privacy, all information received in connection with the background check process must be treated as confidential and retained per local procedures. Records must be maintained in accordance with the University of California Records Retention Schedule.

In accepting a critical position, it is understood that an appointment to, or continued employment in, a critical position is contingent upon a satisfactory background check. UC PPSM-21 applies to employees in positions that are designated as critical to promote a safe work environment; to protect key organizational assets such as people, property, and information; and to enable hiring authorities to make prudent employment decisions. A critical position is based on the required functions and the responsibilities of the position.

HR serves as the Office of Record for background check authorization forms that an employee completes and signs and background check results. With the implementation of HireRight, the vendor will administer online background authorizations and record background check results in a shared database providing HR the ability to monitor and track completion of background checks ordered by the hiring department.

HR records into their background check database the name; department; appointment position title; date of the most recent background check; start/effective date for hire, promotion, or transfer; and the Applicant Transaction Identifier (ATI) reference number received from the Department Of Justice (DOJ).

Detailed information about common used terms by HR when hiring candidates/employees for appointments. See Table 5.

Table 5	Definitions
Terms	**Detailed Information**
Appointment	Assignment of a job or position to an employee.
Background Check	The process of gathering and reviewing a candidate's records to determine their applicability to initial or ongoing employment. A background check may encompass a variety of verifications including, but not limited to, employment history, criminal history, national sex offender search, education, credit history, driving history, or professional licenses report.
Background Check Authorization Form	Form used to gather confidential information in order to process a background check.
Camp Counselors	Students hired by the University for camps during the summer months.
Critical Position	A critical position is based on the required functions and the responsibilities of the position.
Department of Social Services	The California Department of Social Services is a California state agency of programs defined as part of the social safety net in the United States, and is within the auspices of the California Health and Human Services Agency.
ATI Reference Number	A number that is generated by the Department of Justice Live Scan device, which is used to identify the transaction.
DOJ Co-Custodian	Responsible to the security, storage, dissemination and destruction of criminal records furnished to the University and will serve as a contact for the DOJ.
DOJ Database	A system of records maintained by the DOJ.
Employee Identification Number	Assigned to each employee upon hire as her or her permanent employee identifier throughout all University systems.
Fingerprinting (DOJ/FBI)	The method used to review a candidate's criminal record, including state and nationwide check, based on the candidate's fingerprints.
HR Background Check Database	FileMaker Pro, a database platform used by UCSB Human Resources as the shadow system to track background checks.
OACIS System	Online system for creating and maintaining UCSB job descriptions.

Source: Auditor analysis, UC policy, DOJ website, and other sources.

Compliance/Responsibilities

Each campus HR department is the Responsible Officer (RO) for this policy and has the authority to implement the UC PPSM-21 policy. The RO may develop procedures or other supplementary information to support the implementation of this policy. The RO may apply appropriate interpretations to clarify the policy provided that the interpretations does not result in substantive changes to the underlying policy.

HR has delegated departments with the authority to determine by review which staff positions should be designated as critical based on the functions or tasks performed. All applicants selected for critical positions are required to undergo a background check. Continued employment with the University may be contingent upon a satisfactory background check. If a satisfactory background check has been completed within the past six months, a current non-represented employee will generally not need to undergo another background check unless the position requires an additional background check.

HR Current Initiatives

HR informed us that starting in October 2017, Human Resources had undertaken to go in-depth and document and review the entire Live Scan process from the beginning (the job offer and request process) through to the recharge process. This review provided a valuable opportunity to review the current workflow, to identify challenges and gaps, and to consider process improvements and solutions not currently being utilized.

The Live Scan process was first implemented in October 2001 as the campus standard for background checks for staff positions designated as critical. Over the years, Human Resources had been faced with growing challenges to the current process:

- The number of positions that have undergone background checks have more than doubled.
- The discontinuation of the UCSB Police Department's Live Scan (fingerprinting) services in April 2016 made the process more challenging and less effective both in terms of timeliness and in terms of delivery to HR of background check documentation.
- UC Policy PPSM 21 revisions, which went into effect on February 3, 2017 and as, revised on 12/20/17, added further requirements and complexity.
- Student and support staff turnover over the last several years have affected program continuity and effectiveness.

In its efforts to build and sustain a more effective and efficient process, Human Resources has taken the following actions to date:

- On March 2, 2018, Human Resources went live with its new HR Intranet database. This online database replaced an old FileMaker reporting database.

- In April 2018, Human Resources presented to campus control points and HR business partners the business case for HireRight as the new campus standard for background checks. Efficiencies that HireRight would bring to the background check process include:

  o No fingerprint submissions required
  o All county and national criminal conviction records searches for the prior 7 years
  o National Sex Offender Registry searches and SSN traces
  o Direct invoicing to departments; thereby eliminating financial journal recharges from Human Resources.

- o Elimination of travel to Live Scan locations, reimbursement of employee out-of-pocket expenses for "rolling" fees, paper forms, lengthy delays in processing, delays in receiving satisfactory reports, and financial journal recharges
- o Canned and ad-hoc reporting

- On July 20, 2018, Human Resources began its pilot of HireRight for two areas on campus.

- On September 27, 2018, Human Resources implemented HR ServiceNow as its new online ticketing system. Included in its service offerings is the opportunity to submit an online request for a Live Scan background check, and thereby replacing the former paper Fingerprint Authorization Form A and improve the tracking of submitted requests.

SUMMARY OPINION

Our work found there is a need to improve current Human Resources background check practices, tools to provide assurance that background checks are performed for all employees designated in critical positions, and that adequate documentation is being retained. Required enhancements include improving the workflow process to initiate background checks and tracking and reporting tools.

Audit observations and management corrective actions are detailed in the remainder of the audit report.

DETAILED OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS

A. Identification and Tracking of Appointments

We found there are procedures in place to properly process background checks for employees hired, transferred, or promoted into critical positions. Additionally, HR has taken steps to ensure that hiring departments follow policy requirements for background checks by providing training to department personnel on the employee hiring process. However, we identified opportunities to improve current practices and processes to initiate and track background checks.

Although HR reviews on a case-by-case basis all critical appointments, departments make the determination if the position is critical and initiate the background check process. We found that after positions are flagged as critical in the system:

- Background check fingerprint authorization forms are not always forwarded to HR from the hiring department to complete the background check process.

- Critical positions flagged in the OACIS[2] job description system are not always tracked to ensure the background check process was completed.

We were informed that the new HR system (UCPath[3]) and the current OACIS system have functionalities to identify critical positions. HR could benefit from reporting capabilities of current and future systems to identify and track appointments designated as critical.

B. Background Checks

Career Employees

Our review compared the list of active career employees hired within the scope of our audit period with the list of background checks[4] performed in the same period. We selected a sample of 10% of active career employees in potential critical positions hired during our audit period. HR confirmed that all employees in our sample were flagged as critical positions by the hiring department in the OACIS system.

We found that there were not adequate controls in place to ensure that a background check was completed upon hiring a new employee. Based on our analysis, 16% (56 of 351) of our sample of new career employees hired into potential critical positions did not complete a background check as required by UC Policy PPSM-21.

Employees Working with Minors

In addition to our review of career employees, we found UCSB offers several programs that provide childcare and camps for minors. We selected three University organizations working with minors: Family Vacation Center, Department of Recreation, and Orfalea Family Children's Center.

We selected a sample of five camp counselors[5] in the Family Vacation Center and five Department of Recreation counselors working with minors who were hired in the summer of 2017. We also

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[2] OACIS Systems: Online system for creating and maintaining job descriptions.
[3] UCPath: PeopleSoft Human Capital Management.
[4] HR background check database. HR keeps track of all background checks completed in a shadow system.
[5] Camp counselors: Students hired by the University for camps during summer months.

reviewed two teachers who were hired by Orfalea Family Children's Center during our audit period. We found that all employees in our sample had a background check. However, the Department of Recreation background check results were not logged in the HR background check database[6]. See Table 6 for results.

Table 6	Background Checks	
Employees	**Rating**	**Comments**
Career Employees	Partial	16% (56 of 351) employees sampled did not complete background checks required for potential critical positions.
Family Vacation Center*	✓	All five camp counselors sampled completed a background check.
Department of Recreation*	✓	All five camp counselors sampled completed a background check; however, they were not logged into the HR background check database.
Orfalea Family Children's Center*	✓	Two teachers sampled completed a background check with the Department of Social Services within 6 months prior of University effective hire date.

Source: Auditor analysis.
✓: Compliant with requirement of UC Policy for background check for critical positions.
Partial: Some requirements met.
*Departments with employees working with minors.

Teachers working in the Orfalea Family Children's Center are required to complete a background check by the Department of Social Services in order to obtain a teaching permit and the licensing agency receives subsequent reports of any violations. We were informed that background check results are sent directly to the Department of Social Services. HR determined that it would not be necessary to re-fingerprint Children's Center teachers following job offer acceptance, because any violations against teachers are reported to the Department of Social Services. The Department of Social Services notifies HR of any conditional exemption approvals, when an individual cannot work or be present in the facility until he/she has obtained a criminal record exemption.

C.   Record Retention Requirements

Recordkeeping

Our work in this area included an analysis to identify whether the HR recordkeeping practices of background check information are consistent with the UC Records Retention Schedule. We reviewed whether HR is adequately logging and monitoring candidates/employees who completed a background check by recording the ATI reference number and retaining background check authorization forms per UC Records Retention Schedule. The DOJ database only maintains the reference number and background check results for a period of three months, making it critical to record this number into the HR background check database in a timely manner. We found a need to improve HR practices to guarantee ATI reference numbers and background check records are retained.

We selected 25 new employees, five from each fiscal year, hired in critical positions during our audit period. We found that:

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[6] HR background check database uses FileMaker Pro as the background check tracking system.

- Two of 25 DOJ reference numbers were missing. One resulted from not updating the HR background check database. One employee did not complete the background check process as required.

- Eight of 25 background check authorization forms could not be located as per retention requirements.

In addition, we reviewed a sample of twenty-five employees hired into critical positions between fiscal year 2008-09 and fiscal year 2011-12 to ensure background check records were disposed[7]. We found HR purged all sampled employee background authorization forms according to disposition requirements. See Table 7 for recordkeeping and disposition results.

Table 7	HR Background Check Recordkeeping and Disposition Requirements	
Fiscal Year	**Recordkeeping**	**Comments**
2017-18	Partial	One of five samples *did not* include an ATI Reference Number. Two of five authorization forms could not be located.
2016-17	Partial	One of five samples *did not* include an ATI Reference Number. Five of five authorization forms could not be located.
2015-16	✓	All five samples included an ATI Reference Number. All five authorization forms were retained.
2014-15	Partial	All five samples included an ATI Reference Number. One of five authorization forms could not be located.
2013-14	✓	All five samples included an ATI Reference Number. All five authorization forms were retained.
Fiscal Year	**Disposition**	**Comments**
2008-12	✓	All twenty-five sampled authorization forms during FY 2008-2012 were purged according to disposition requirements.

Source: Auditor analysis.
✓: Compliant with background check record retention and disposition requirements per UC Record Retention Schedule.
Partial: Some requirements met.

We also found key fields such as the employee identification (ID) number and hire date in the HR background check database to be incomplete for a significant number of records. For example, while reviewing 8,869 entries in the HR background check database, we identified approximately 3,567 entries did not include the employee ID number. The ID number is assigned to each employee upon hire as his or her permanent employee identifier throughout all University systems. However, at the time the HR background check record is created in the HR database to initiate the background check process, the employee ID number has not been assigned and the date of hire may not have been determined. Student employees manually record the information in the database. The high turnover in positions supporting this process makes it more difficult to maintain institutional knowledge and increases the risk of introducing errors. Efficiencies could be gained by moving from a manual data entry process to a more system-integrated process with other HR applications.

[7] A retention schedule serves as the lawful authorization for the disposition of records.

We found currently there are no reporting methods to validate that the information in the HR background check database is complete, nor is there a method to validate that all employees designated in a critical position in the OACIS system completed the background check process. As previously mentioned, use of current and future technologies could assist in ensuring required authorization forms are obtained, employee background checks are processed, and the HR background check database is complete.

D. Restricted Data

Hard copies of confidential background check documentation are located in HR file cabinets. Although cabinets are locked, keys are not always stored in a location with restricted physical access.

Digital background check results are located in the DOJ database and are restricted to two employees in HR, the Employment Manager and a co-custodian. Detailed information on background check results are maintained in the DOJ system for a limited period of time. The HR background check database is maintained by HR with limited access to HR recruiters and does not include confidential details of the background check results.

Recommendation

We recommend Human Resources develop and implement a plan to ensure background checks are properly identified and tracked, and supported documentation is retained to comply with University policies. The plan should include, but not be limited to, the following topics:

- Identify critical positions flagged in current and/or future systems to ensure all career background check authorization forms are forwarded to Human Resources. To complete this task evaluate additional internal controls such as:

  o Update the current hiring process by establishing a step to validate that background check requirements were processed and completed.

  o Evaluate whether the current HR background database is the adequate tool for tracking and retaining background check information.

- Analyze whether UCSB Retention Guidelines for background checks need to be updated, to be aligned with UC Records Retention Schedule.

- Consult Systemwide Human Resources to clarify the need to perform background checks for teachers hired at Orfalea Family Children's Center.

Management Corrective Actions

- Human Resources plans to improve the background check process for all employees designated in critical positions will improve with the functionality found in the UCPath PeopleSoft's Position Control data. To address consistency between the job description in OACIS and Position Control in UCPath, HR will visually check to ensure that the position and the career staff job description are both in alignment with the critical position designation.

  o Human Resources will seek assistance to generate reports of recently filled staff positions (designated as requiring a criminal background check) to compare against the HR

Background Check Database to identify any instances where the background check process has not been completed. Additionally, Human Resources expects to implement PeopleSoft's Talent Acquisition Manager (TAM) as its new applicant-tracking system, which will further ensure that background checks are performed for all staff hired into designated critical positions, as defined by applicable PPSM.

o The need to improve the completeness of Human Resources data entry into the HR Background Check database will improve with more systems-integrated processes within Human Resources. The HireRight application will house background check data that can be exported into the HR Background Check database for reporting and compliance documentation assurances.

- Human Resources is following the UC Records Retention Schedule and will update its UCSB Retention Guidance to fully align with the UC Records Retention Schedule.

- Human Resources has contacted the Systemwide Human Resources Policy Office at the University of California Office of the President and has requested policy clarification of the criminal background check requirements for its teachers hired at Orfalea Family Children's Center.

Audit and Advisory Services will follow up on the status of these issues by March 1, 2019.