FACILITIES MANAGEMENT

EMPLOYEE INCENTIVE AWARDS

AUDIT REPORT #17-2104

Audit & Advisory Services

September 2017

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Background

In accordance with the UCLA Administration fiscal year 2016-17 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 and department 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, manages construction projects up to $3 million in cost, and staffs nearly 900 facilities professionals. Under FM oversight, the Chiller Cogeneration Plant produces 75% of the campus demand for power.

Divisions within FM include Design, Project Management & Operations (DPMO), Maintenance and Alterations (M&A), and Finance & Information Services (F&IS). Each division is overseen by a Director, who reports to the Assistant Vice Chancellor of Facilities Management.

Purpose and Scope

The primary purpose of the review was to determine whether FM is in compliance with guidelines and campus policies when issuing employee incentive awards to its employees.

The scope of the audit focused on the following activities:

* Staff Appreciation and Recognition Plan (STAR)
* On the Spot Awards
* Perfect Attendance Awards

The review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and included such tests of records, interviews, 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 organizational structure and controls are generally conducive to help ensure compliance with policies and procedures related to employee incentive awards. However, controls and business practices could be further strengthened by implementing the following:

*Staff Appreciation and Recognition Plan (STAR)*

* FM Directors of each division should collaborate with Human Resources Payroll Center – South (HRPC – South) to ensure that STAR Plan guidelines are met with regard to the completion of employee performance evaluations.
* Management should ensure that awards are determined based on the participants’ actual performance relative to the objectives assigned to them at the beginning of the plan year.
* FM Directors of each division should ensure that all STAR Plan applicable documentation is completed and submitted timely to HRPC – South, including UCLA Campus STAR Award Nomination Forms.

*On the Spot Awards*

* Management is encouraged to include the employee’s immediate supervisor in the nomination process, in order for a recipient to be fully vetted before receiving an award.
* Controls should be strengthened over the award process to ensure all applicable gift card “Sign Out Forms” are completely filled out by the departmental staff involved in picking up the awards, distributing the awards, and the employee who received the award.

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

Staff Appreciation and Recognition Plan (STAR)

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 team performance. Policy-covered career Professional & Support Staff (PSS) and Management & Senior Professional (MSP) 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 unless specifically bargained. Eligibility criteria, performance standards, award limits, and other elements governing recognition awards are included in UCLA’s campus guidelines that are consistent with the systemwide STAR Plan.

Two separate data extracts were generated from the Campus Data Warehouse: 1) Employees that received a STAR Plan award in fiscal year 2015-16, and 2) Employees that received STAR plan awards on a two or three year consecutive basis during fiscal years 2014 through 2016. For fiscal year 2015-16, awards issued to 12 employees were judgmentally selected for review, and for fiscal years 2014 through 2016, consecutive awards issued to 20 additional employees were judgmentally selected for review. HRPC - South was contacted to provide STAR Plan nomination forms or equivalent documentation, and associated performance evaluations for each of the selected employees. Each award was reviewed to ensure compliance with STAR Plan guidelines.

Based on the test work performed, all STAR Plan awards were processed within award limits and restrictions, were properly reviewed and approved, and met funding requirements and restrictions. However, improvements are warranted to ensure that awards are issued in compliance with all other specified guidelines. The following were noted:

A. Performance Evaluations

A&AS testing showed that employees were on an active status, successfully completed probationary periods, and were policy-covered. However, performance standards of employees could not be verified for 44 employees (out of 66 tested) within the sample selected. Performance evaluations were not in the employee’s personnel file and could not be located for these employees. STAR Plan guidelines require that at the time of the award, employees have received a “Meets Expectations” or better overall rating on their most recent annual performance evaluation.

Recommendation: FM Directors of each division should collaborate with HRPC - South to ensure that STAR Plan guidelines are met with regard to the completion of employee performance evaluations.

Response: FM Directors are collaborating with HRPC - South to ensure that STAR Plan guidelines are met with regard to the completion of employee performance evaluations. We are actively working on improving performance evaluation implementation.

B. Award Justification

Under the STAR Plan, managers are able to recognize, acknowledge, and reward employees for exceptional performance and/or significant contributions related to and supportive of individual, departmental, divisional, and/or organizational goals and objectives. Managers may also acknowledge and reward individuals and teams for exceptional performance, creativity, organizational abilities, work success and teamwork.

While it was not established that STAR Plan awards are being used to supplement employees’ base salaries, the same justification paragraph was noted on the nomination forms for four employees who received a STAR award in consecutive fiscal years from 2014 through 2015. It was also noted that the justification paragraph for another four employees that received awards appears to be a job description, and does not describe the exceptional performance and/or significant contribution.

Recommendation: Management should ensure that awards are determined based on the participants’ actual performance relative to the objectives assigned to them at the beginning of the plan year, and comply with STAR Plan guidelines.

Response: FM will implement this recommendation. Additionally, as part of a work group on the Perfect Attendance Award, it has come to our attention that there are a variety of approaches to STAR award distribution within different departments of UCLA Administration. We are collaborating with colleagues from other departments and reexamining our overall STAR award approach.

C. Nomination Forms

The UCLA Campus STAR Award Nomination Form or equivalent documentation must be used for each nomination, and it is due to Campus Human Resources no later than June 30th of each year. Testing was performed to verify that documentation was properly completed, reviewed, approved, and timely. While FM’s nomination process is generally adequate, the following were noted:

* Nomination forms or equivalent were not in the employee’s personnel file and could not be located in seven awards that were issued between fiscal years 2014 through 2016. This includes one award payment transaction that was dated after the fiscal year end closing (July 5, 2014), and A&AS could not determine when the award was completed or approved due to the missing nomination form.

Recommendation: FM Directors of each division should ensure all STAR Plan applicable documentation is completed and submitted timely to HRPC – South. Management should reiterate to unit supervisors and managers that a UCLA Campus STAR Award Nomination Form or equivalent documentation must be completed for each nomination.

Response: FM will implement this recommendation.

On the Spot Awards

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

A sample of 20 OTS awards processed during fiscal year 2015-16 were reviewed to verify that the employees selected were eligible to receive the award, each award was within guideline limits and restrictions, and proper physical controls existed over the awards (gift cards). An additional 10 samples were tested of employees that received awards on a two or three year consecutive basis during fiscal years 2014 through 2016 to determine reasonability. HRPC – South was contacted by A&AS to request the supporting documentation. The following were noted:

A. Nomination Approvals

Based on test work performed, OTS awards were processed for employees that were eligible to receive the award, only non-negotiable gift cards were awarded, and the maximum per-person limits were met. However, improvements are needed to ensure that awards are properly documented, and approved. The following were noted:

The signature of the nominating supervisor was not obtained for three nominations. Discussions with management indicated that immediate supervisors are not always made aware of their employee being nominated, and as a result, the nomination may be approved even though the employee may be undergoing some type of corrective action at the time of approval.

Recommendation: Management is encouraged to include the employee’s immediate supervisor in the nomination process, in order for a recipient to be fully vetted before receiving an award.

Response: FM will involve immediate supervisors more in the nomination process.

B. Receiving, Distribution, and Inventory of Gift Cards

A&AS met with FM management and staff to determine if gift cards are physically secured. Of the three divisions reviewed, only M&A maintains gift cards in a safe. Therefore, a walkthrough of all safes within M&A was conducted to verify that gift cards are appropriately maintained while awaiting distribution, and to determine that the appropriate staff have access. Other divisions are instructed to return gift cards to HRPC – South until cards can be distributed. Interviews were held with key personnel to determine whether adequate controls exist to ensure that only authorized personnel are allowed to pick-up gift cards from either HRPC – South or their FM division.

A verification was also performed to ensure that the receiving, distribution, and inventorial process for gift cards is adequately documented. A judgmental sample of five HRPC – South non-cash award reports were selected for testing. The reports included 36 award recipients that were tested to verify that the gift card “Sign Out Forms” were completely filled out by the departmental staff picking up the awards, the employee responsible for distributing the awards, and the employee who received the award.

Although gift cards are properly secured, and the quantity and value of cards being distributed is documented, controls surrounding the receiving and distribution of gift cards warrant strengthening. The following were noted:

* In 12 instances, there is no evidence that the employee responsible for picking up gift cards from HRPC – South signed a “Sign-Out Form.”
* In 10 instances, there is no evidence that the supervisor or designee responsible for distributing the gift cards to the employees signed the “Sign-Out form.”
* In 13 instances, the “Sign Out Forms” was not signed by the employee to indicate that they had received the gift card.
* Additionally, 9 “Sign Out Forms” were not on file and could not be located.

Recommendation: Management should strengthen controls over the award process to ensure all applicable gift card “Sign Out Forms” are completely filled out by the departmental staff involved in picking up the awards, distributing the awards, and the employee who received the award. Management should also remind staff to ensure that all applicable gift card “Sign Out Forms” are returned to HRPC – South.

Response: Upon being made aware that the “Sign Out Forms” are not completed accordingly, FM teams were directed to ensure that all individuals who take custody of the gift cards must sign the forms. Individuals responsible for submitting signed forms to HRPC-South are also aware of this process.

Perfect Attendance Awards

FM participates in the Perfect Attendance Award program. It was designed and implemented to recognize employees who maintain perfect attendance each year, and reward their excellence in University service. It is intended to recognize, encourage, and reinforce the importance of attendance to employees and ensure client service commitments can be achieved on an ongoing basis. An annual award luncheon is held in the fall and it is one of the premiere employee recognition events. The criteria used to determine who is qualified is as follows:

* An employee must be paid the minimum qualifying regular hours in the fiscal year (i.e., employee must have worked at least one year at full time status).
* Employee must have used less than seven hours of sick time.
* Any employee who has more than seven hours of sick leave usage is disqualified.
* Any absent without pay (AWOP), or leave without pay (LWOP), will disqualify the employee (LWOP used during Holiday closure is not counted against eligibility).
* For first time award, any 12 consecutive month period of perfect attendance in the last two years will qualify.
* All subsequent awards are based on the fiscal year as determined by the pay period. Qualifying years do not have to be sequential.

There are three different award levels granted. For the first year of qualifying service, a jacket is awarded. For two to four years of qualifying service, $250 is awarded. For five or more years of qualifying service, $500 is awarded.

A&AS selected a sample of seven award recipients during fiscal years 2015 and 2016. Verifications were performed to validate that adequate supporting documentation exists to demonstrate due diligence in vetting the award recipient to ensure eligibility. Verifications were also conducted to ensure that review and approval by the appropriate levels of supervisory and management personnel were performed.

Based on testing performed within the sample selected, Perfect Attendance Award recipients are vetted by the appropriate level of department supervisors and management to verify eligibility. Supporting documentation exists to demonstrate that HRPC – South sends a report of eligible employees to an Executive Assistant, and then a report is forwarded to the participating divisions. Management and supervisors review the report and approve the recipients, which are then returned to HRPC – South for processing.

There were no significant control weaknesses noted in this area.

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