

October 16, 2023

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**Subject: UCPath - Payroll Errors, Segregation of Duties
 Report 2023-01**

The final report for *UCPath – Payroll Errors, Segregation of Duties, Report 2023-01*, is attached. We would like to thank all members of the department for their cooperation and assistance during the review.

Because we were able to reach agreement regarding management action plans in response to the audit recommendations, a formal response to the report is not requested. The findings included in this report will be added to our follow-up system. We will contact you at the appropriate time to evaluate the status of the management action plans.

UC wide policy requires that all draft reports be destroyed after the final report is issued. We also request that draft reports not be photocopied or otherwise redistributed.

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AUDIT & MANAGEMENT ADVISORY SERVICES

UCPath Payroll Errors and Segregation of Duties
Report No. 2023-01
October 2023

FINAL REPORT

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I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a review of UCPath Payroll Errors and Segregation of Duties as part of the approved audit plan for Fiscal Year 2022-2023. The objective of our review was to evaluate internal controls and processes for detection and prevention of payroll errors in UCPath and management of SOD conflicts within UCPath. We focused our review on payroll overpayments, and review of SOD rule exceptions and mitigating controls.

Based on our review, we concluded that internal controls provide reasonable assurance that processes for detection and prevention of payroll errors in UCPath and management of SOD conflicts within UCPath are generally working as intended. UCPath transactions and information generally result in accurate and timely pay for UCSD employees, and SOD conflicts and mitigating controls are reviewed and approved. However, opportunities for improvement were identified related Data Input Quality, Review, and Monitoring; Alignment of Local and UCPC Processes; and Approval of SOD Conflict Exceptions and Mitigating Controls.

UCPC provides training, tools and job aids for users, and some central offices have also designed additional tools and training that may help departments improve their processes for mitigating risks of errors resulting in overpayments. However, the complexity of HR and payroll structure, processes, and requirements for certain employee groups requires additional skills or expertise for both transactors and approvers to ensure accurate payroll processing when employee job updates are made. We noted that transactions were often assigned to inexperienced and temporary staff due to resource constraints at the department level. In addition, the approvers were not knowledgeable of the complexities of certain transactions and often under pressure to approve to meet UCPath deadlines without adequate review and verification. Also, resource constraints at the department level, the central offices, Core Central HR Payroll, and UCPC negatively contributed to timely and accurate payroll.

Prior to UCPath, a Central Core HR and Payroll department had oversight of the HR and Payroll processes. When UCPath was implemented as the centralized HR and Payroll system, the center of expertise and resources for campus were transferred to UCPath, but campus locations (transactors and approvers) still have the responsibility for validating and ensuring data input and changes are authorized and approved, timely, accurate and complete. This has resulted in areas of misalignment of processes and expectations between UCSD and UCPath as departments struggle to meet UCPC requirements and tight timelines required for payroll error correction and processing, which can impact accuracy and employee pay.

We also noted opportunity to improve the process for monitoring SOD conflicts to ensure review and approval for exceptions and mitigating controls are documented, and for additional review of cases where automatic workflow approvals may be bypassed. Management Action Plans to address these findings are summarized briefly below.

A. Data Input Quality, Review, and Monitoring

1. UCSD participated in a UCPC pilot report for Overpayment Triggers which identifies HR transactions that potentially triggered overpayments. HR Payroll is working with UCPC to

refine the pilot reports with feedback from other campuses. HR Payroll has initiated effort to operationalize this report locally.

2. HR Payroll has launched an initiative to review data accuracy and integrity of transactions initiated by decentralized users, and will continue to evaluate transactions that could benefit from expert and centralized review process, and evaluating resources needs to support departments.
3. HR Payroll will continue to utilize available UCPC and internal tools as part of the pilot, and enhance collaboration as needed to identify and analyze root causes and trends, devise appropriate action plans, and monitor outcomes.

B. Alignment of Local and UCPC Processes

1. HR and other central offices meet regularly with the UCPath liaison for escalation of issues and collaborate on identifying a resolution.
2. HR Payroll will work with departments and VC areas to clarify their roles and responsibilities, assist in identifying their unique business needs and business processes impacted by UCPC timelines and requirements, and help find the right strategies and solutions that support the departments.
3. While certain long-term business needs of misalignment of local processes with UCPC such as employee scales for Mariners have been resolved, HR Payroll should continue to collaborate with UCPC in identifying long-term solutions for other areas where alignment of requirements and expectations between UCSD departments and UCPath is still needed.

C. Approval of SOD Conflict Exceptions and Mitigating Controls

1. HR Payroll will formalize the process for reviewing actions taken for SOD conflicts identified during UCPC SOD audits, and ensure that the Controller's approval is documented.
2. HR Payroll will review the reports provided by UCPC and/or implement a local process to monitor transactions for users approved who have role conflicts to verify that conflicting roles do not result in inappropriate transactions, and document the outcome.

Observations and related Management Action Plans are described in greater detail in Section V of this report.

II. BACKGROUND

Audit & Management Advisory Services (AMAS) has completed a review of UCPath Payroll Errors and Segregation of Duties as part of the approved audit plan for Fiscal Year 2022-2023. This report summarizes the results of our review.

UCPath is a comprehensive payroll, benefits, human resources (HR), general ledger, workforce administration, and academic personnel system providing services for over 200,000 employees across all University of California (UC) locations. The University of California Office of the President (UCOP) was the first location to launch¹ UCPath on November 30, 2015. This was followed by a pilot deployment consisting of UC Riverside, UC Merced, and The Associated Students of UC Los Angeles (ASUCLA) in January 2018. UCPath then onboarded the remaining locations over the following two years. UC San Diego (UCSD) implemented UCPath in May 2020

UCPath's goals included:

- replacing UC's antiquated Payroll/Personnel System with a common administrative platform to manage payroll and HR;
- standardizing and streamlining payroll and HR processes systemwide; and
- centralizing certain HR and payroll transactional processes within the UCPath shared service center.

UCPath Center (UCPC) was established as the center to support the systemwide program, including the review of payroll, benefits, and human resource transactions. UCPC is a central transactional hub that provides central processing for human resources, payroll, benefits, general ledger, workforce administration, and academic processes across the entire UC system. However, critical HR functions remain at the campus level, including hiring and retention, performance management, employee and labor relations, and other non-transactional business activities. UCPC-trained employees provide individualized support on the UCPath online tool and self-service portal to the campus locations as they were onboarded to the new system.

At UCSD, the Central Core Payroll and Central HR (HR Payroll) offices, in partnership with UCPC, provide local support to serve the needs of staff, academic and student workers for both campus and health departments related to UCPath. The Central Core Payroll office, in partnership with local Central HR Offices and the UCPath Center, provides integrated functionality for payroll processing and timekeeping as part of local UCPath support provided by specific HR units under Data, Systems and Processes (DSP). Other units also benefit from centralized processes by Academic Resource Center and Health HR for Health and Health Sciences (HS) units, and Integrated HR and Compensation for some units at Scripps Institute of Oceanography (SIO).

Since June 1, 2020, UCSD employees have been directed to submit support tickets through the UCPC case management system for inquiries related to new employee or first-time user issues, benefits, paycheck details, overpayments, employment verification, and payroll related documentation.

¹ UCPath has been deployed in stages across the UC locations because of the volume and complex data that must be moved from local PPS, and to allow the UCPath Center (UCPC) to focus on deployment groups of a few campuses at a time.

Inquiries related to gross pay, missed pay, local deductions, cost benefit rates, salary cost transfers, and transaction support, employees are directed to UCSD support.

Payroll Errors

Payroll errors occur when the data required to calculate payroll in UCPath lacks accuracy and timeliness. The volume and types of payroll errors occurring are currently unknown, and campus locations do not have visibility to UCPC processes. However, some data is available on pay adjustments and overpayments. At the beginning of our review, a UCPC Dashboard indicated a total of 14,256 adjustments to employee pay (excluding overpayments) were processed for the period January-November 2022, of which 11,584 (81.3%) were employees in campus business unit (SDCMP)², and 2,672 (18.7%) were in Health business units (SDMED). Total Overpayments processed for the 24-month period were 3,030, of which 2789 (92%) were SDCMP, and 241 (8%) were SDMED.

Since UCPath's implementation, there have been known system defects that have impacted multiple locations as well as location-specific issues. Known UCPath system defects are currently tracked locally in Jira ticketing software. UCSD is actively engaged with UCPC on these issues as UCPath continues to work on stabilization and optimization. UCSD also performs root cause analyses, however, this effort is limited by several factors, such as limited visibility of UCPC processes that might also contribute to the defects that have yet to be identified.

User errors or location business processes can also impact the accuracy and timeliness of employees transacting in UCPath and result in payroll errors. UCPC designed tools, such as job aids, and dedicated some resources to support transactional users (transactors) in their day-to-day processing of HR, benefits and payroll information in UCPath. Due to the volume of transactional issues and latency of response from UCPC, UCSD engaged local UCPath support to help escalate issues to UCPC. Data, Systems and Processes units in the HR domain work with their assigned UCPC liaison to organize and follow up with appropriate support service to address issues and determine next steps. Other UCSD central offices also provide support in limited capacity, such as the Academic Personnel Office (APO) for academic personnel excluding postdoctoral (postdoc) and graduate student employees, Office of Postdoctoral Scholar Affairs (OPSA) for postdocs, and Graduate Division for graduate student employees. Health and Health Sciences employees benefit from additional support and centralized processes from Academic Resource Center (ARC) for Health faculty and non-faculty academic employees, Health Human resources (HHR) for Health and Health Sciences staff, and Career Center for casual/restricted student workers. More recently, specific business units at Scripps Institute of Oceanography (SIO) received support from Integrated HR and Compensation.

Segregation of Duties (SOD)

Internal control best practices include separation of duties in processing HR and Payroll transactions to reduce the risk of errors and inappropriate actions. A Segregation of Duties (SOD) conflict exists in UCPath when an individual can perform any of the combinations of user access roles in the following table.

² Campus business unit (SDCMP) include campus employees as well as Health Sciences employees, while Health System employees are under the Health business unit (SDMED).

UCPath SOD Rules for UC Campus Locations	
Update employee job	Update employee pay data.
Complete salary cost transfers	Update employee job or pay data.
Administer security	Update PayPath.
	Complete salary cost transfers.
	Update employee job or pay data.
	Update Approval Workflow Engine (AWE) transactions.
Administer Approval Workflow Engine (AWE)	Update PayPath.
	Complete salary cost transfers
	Update employee job or pay data.
	Update AWE transactions
Administer security	Administer AWE

Source: UCOP/UCPC

In response to a University of California Office of the President (UCOP) Cybersecurity Audit which determined that UCPath lacked sufficient Segregation of Duties (SOD) controls and monitoring, the UCPath Center and all UC campus locations are required to perform semi-annual SOD audits to:

- ensure users have appropriate access to perform their job;
- identify users that have the ability to perform actions that result in SOD conflict per established business rules; and
- resolve SOD conflicts and document mitigations and exception requests.

The UCPC Security Administration Team identifies conflicting roles for each campus semi-annually and provides the list to campus locations for review and validation. Campus locations assign a reviewer to validate the list and manage conflicts, and locations are required to remove/eliminate conflicts and document a justification with mitigating controls for any remaining exceptions. Although certain aspects of the workflow was pending clarification from UCPC as of the date of this review, the current state process is that exceptions, corresponding justification and mitigating controls are submitted to UCPC for review and approval by Controllers and UCPath Steering Committee.³ UCPC used a third-party vendor to run scripts to identify conflicts based on UCPC SOD rule set, which was decided systemwide by the Center Of Excellence (COE) and Controllers. UCPC publishes reports semi-annually to all campus locations for review and action.

In September 2021, UCPC identified 17,806 conflicts across all campus locations based on user access as of 9/28/21. Based on feedback from campus locations, UCPC made adjustments to SOD rules, including eliminating some of the role conflicts, such as inquiry role and fund entry role showing under update job data rule and update pay data rule. This reduced total conflicts across all locations to 9,661. In November 2021, UCSD reviewed 1,571 conflicts and removed⁴ access for 20 of them. The Controller approved the remaining 1,551 conflicts, which were attributed to 795 employees.

In May 2022, Central Campus Payroll reviewed 1781 conflicts identified based on user access as of April 12, 2022, of which 11 conflicts were eliminated by changing or removing access. As of December 2022,

³ UCPath Steering Committee is part of the UCPath Governance Group. At UCSD, the Chief Information Officer, Executive Director of HR, and Manager of Health HR Compliance and Data Integrity make up the UCPath Steering Committee. The Executive Director of HR also serves in the Advisory Board.

⁴ Reviewers coordinate the removal of access for rejected conflicts with local UCPath security administrator.

UCPC again modified the list of SOD conflicts flagged based on justification and mitigating controls submitted by campus locations, eliminating the first two SOD conflicts listed in the Table above. In January 2023, only 28 conflicts for UCSD were identified, of which 19 were accepted with justification and mitigating controls.

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The objective of our review was to evaluate internal controls and processes for detection and prevention of payroll errors in UCPath and management of SOD conflicts within UCPath. We focused our review on payroll overpayments, and review of SOD rule exceptions and mitigating controls. In order to achieve our objective, we performed the following:

- Reviewed:
 - University policies and guidance on payroll errors, overpayments, and segregation of duties;
 - UCPath information, organizational charts, procedures manuals, relevant job aids, tools and resources; and
 - UCPC Dashboards and relevant reports and data.
- Interviewed the following representatives from central offices to understand roles, support provided, processes for validating HR and payroll transactions, detection and prevention of errors and/or misstatements, and SOD rule conflict management:
 - Executive Director for HR Data, Systems, and Processes;
 - Executive Director for Vice Chancellor Health Sciences Academic Administration;
 - Interim Director of Organizational Change Management/Human Capital Management;
 - Former Interim Director of Central Core Payroll and HR;
 - Interim Director and Former Interim Associate Director of Central Core Payroll and HR;
 - Health HR Director;
 - Health Timekeeping Services (HTS) Director;
 - HTS Analyst;
 - ARC Director;
 - ARC Compensation Manager;
 - APO Academic Data Management Director;
 - HHR Compliance and Data Integrity Manager;
 - HHR Benefits and Compensation Manager; and
 - Central Core Payroll and HR Analyst.
- Interviewed selected HR representatives from Campus and Health departments to understand their processes and challenges in UCPath transactions, and actions taken to address issues and prevent recurrence;
- Consulted with representatives from UCOP Ethics, Compliance and Audit Services and UCPC to understand UCPC role, business processes, issues and challenges, and support provided to UCSD;
- Reviewed available reports in UCPath Workforce Administration, and other UCPC tools available to Central Offices for verifying payroll data before and after payroll run;
- Reviewed various audit tools and reports designed and implemented by central offices for validating HR and payroll transactions, and detection of errors/misstatements;
- Evaluated various reports and other tools in Business Analytics Hub designed for departments and UCPath transactors for monitoring and validating HR and payroll data;

- Analyzed UCSD UCPath Security Report, Access Certifications, and SOD Exception and Mitigation Controls;
- Analyzed and traced a judgmental sample of access roles and certifications flagged on Access Certification to UCPath Security Report to verify actions taken to address SOD conflicts.
- Reviewed UCPC report for PayPath self-approved transactions and verified result with UCPC;
- Evaluated a judgmental sample of UCPath overpayments based on UCPC Pilot Overpayment Triggers report for the period January 2022 through January 2023 to determine whether transactions noted as triggers resulted in payroll errors and overpayment; and
- Analyzed UCPath data using ACL and Teammate Analytics to determine job actions and reasons for transactions that resulted in errors and overpayments.

IV. CONCLUSION

Based on our review, we concluded that internal controls provide reasonable assurance that processes for detection and prevention of payroll errors in UCPath and management of SOD conflicts within UCPath are generally working as intended. UCPath transactions and information generally result in accurate and timely pay for UCSD employees, and SOD conflicts and mitigating controls are reviewed and approved.

However, opportunities for improvement were identified related Data Input Quality, Review, and Monitoring; Alignment of Local and UCPC Processes; and Approval of SOD Conflict Exceptions and Mitigating Controls.

UCPC provides training, tools and job aids for users, and some central offices have also designed additional tools and training that may help departments improve their processes for mitigating risks of errors resulting in overpayments. However, the complexity of HR and payroll structure, processes, and requirements for certain employee groups requires additional skills or expertise for both transactors and approvers to ensure accurate payroll processing when employee job updates are made. We noted that transactions were often assigned to inexperienced and temporary staff due to resource constraints at the department level. In addition, the approvers were not knowledgeable of the complexities of certain transactions and often under pressure to approve to meet UCPath deadlines without adequate review and verification. Also, resource constraints at the department level, the central offices, Core Central HR Payroll, and UCPC negatively contributed to timely and accurate payroll.

Prior to UCPath, a Central Core HR and Payroll department had oversight of the HR and Payroll processes. When UCPath was implemented as the centralized HR and Payroll system, the center of expertise and resources for campus were transferred to UCPath, but campus locations (transactors and approvers) still have the responsibility for validating and ensuring data input and changes are authorized and approved, timely, accurate and complete. This has resulted in areas of misalignment of processes and expectations between UCSD and UCPath as departments struggle to meet UCPC requirements and tight timelines required for payroll error correction and processing, which can impact accuracy and employee pay.

We also noted opportunity to improve the process for monitoring SOD conflicts to ensure review and approval for exceptions and mitigating controls are documented. Up to this point, the Controller provided verbal approval for UCSD in the recent UCPC SOD Audits. However, this approval was not

documented. Also, UCPC has not clearly defined the workflow process, as the Controller was not required to document approval. In addition, one SOD mitigating control is the reliance on UCPath's AWE system controls, which prevents a transactor to approve their own transactions. However, in some cases, UCPC noted that the AWE can be bypassed. While UCPC did not identify issues at UCSD related to bypassing of AWE, UCSD could benefit from local periodic reviews to mitigate risks of inappropriate transactions.

These observations are discussed in greater detail in the balance of this report.

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

A.	Data Input Quality, Review, and Monitoring
The quality of data input and changes in UCPath could be improved with adequate, timely, and expert review and validation.	
Risk Statement/Effect	
The lack of timely and adequate review and validation of data input and changes in UCPath increases risk of undetected errors that result in overpayments. This was evidenced by the volume of overpayments resulting from incorrect, incomplete and lack of timely input and changes, and was more apparent in decentralized environments.	
Management Action Plans	
A.1	UCSD participated in a UCPC pilot report for Overpayment Triggers which identifies HR transactions that potentially triggered overpayments. HR Payroll is working with UCPC to refine the pilot reports with feedback from other campuses. HR Payroll has initiated effort to operationalize this report locally.
A.2	HR Payroll has launched an initiative to review data accuracy and integrity of transactions initiated by decentralized users, and will continue to evaluate transactions that could benefit from expert and centralized review process, and evaluating resources needs to support departments.
A.3	HR Payroll will continue to utilize available UCPC and internal tools as part of the pilot, and enhance collaboration as needed to identify and analyze root causes and trends, devise appropriate action plans, and monitor outcomes.

A. Data Input Quality, Review, and Monitoring – Detailed Discussion

Payroll overpayments result from errors or untimely, incomplete, or incorrect job data input and updates. Data input or changes in UCPath require timely and adequate review and approval to ensure accuracy, completeness, and timeliness of data to minimize payroll errors. UCPC provides training for users, as well as various tools (such as reports and job aids) for campus locations to validate payroll data before and after payroll run to identify and address any errors. Some central offices also designed

additional tools and training that may help departments improve their processes for mitigating risks of errors resulting in overpayments.

However, the complexity of HR and payroll structure, processes, and requirements for certain groups of employees requires additional level of skills or expertise to ensure data quality, including accuracy, timing or completeness of input entered in UCPath when employee job updates are made. In addition, familiarity with some of the nuances of a new system like UCPath comes with experience and competency and in some cases, built-in system edits not apparent to inexperienced users. Data input quality, review, and monitoring were impacted by skills and competency of individual transactors, lack of clarity on responsibility and accountability, and resource constraints, as discussed further below.

Based on interviews and review of overpayment data for the period January 2022 through January 2023, some of the factors that impacted accuracy and timeliness of UCPath transactions were more apparent in campus departments that were decentralized in managing UCPath transactions.

Skills and Competency

Transactors and approvers at the department level in some cases lacked the skills and competency required to ensure accuracy and timeliness of transactions processed in UCPath correctly the first time without data entry errors that require multiple actions to correct and cause overpayment errors. Central HR Payroll understands the need to address training requirements and identify gaps in job aids, such as the sense of responsibility, discretion, and critical thinking. In addition, this requires a deeper understanding of root causes to develop a targeted solution.

We reviewed a judgmental sample of overpayment triggers, and analyzed the transactions that led to overpayments to verify that the original action reason had triggered the error. We noted that transactors required multiple job actions to correct overpayments. However, data entry errors often occurred in the original action reason (overpayment triggers), such as range adjustments, add/extend appointments, and reduction in time, among others. In one department, there were several transactions of the same action reason, such as extend appointments for graduate students, that resulted in several additional action sequences to correct the original input. In another department, there were a number of transactions related to staff hire that required compensation adjustment due to the implementation of a new contract. Because of staff turnover, the job actions processed were late and had errors, resulting in overpayments and additional sequences of job actions to correct the original job action.

Based on interviews, we noted that transactions were often assigned to inexperienced and temporary staff due to resource constraints at the department level. In addition, the approvers were not knowledgeable of the complexities of the graduate students' salary structure, and transactions were approved to meet UCPath deadlines without adequate review and verification.

Decentralized areas could benefit from additional required expertise to ensure data input quality, as well as timely detection, analysis and prevention of errors and overpayments.

Responsibility and Accountability

Based on interviews, it appears that areas of responsibility and accountability are unclear to campus locations and departments. For example, when reviewing and approving transactions, central offices providing local support, such as Academic Personnel Office noted that due diligence is not always

performed by transactors and approvers to validate and ensure data input accuracy and completeness. Possible reasons include time and resource constraints in the department, lack of knowledge of what to look for to identify errors or inaccuracies, and reliance on UCPath and local support to detect errors. Reports and tools designed for review and monitoring are not consistently used because departments do not find the reports useful or the UCPath tools and reports do not reach the departments. In most cases, UCPath requires a 24 hours turn-around time before payroll run for locations to validate payroll data and submit corrections in UCPath

Resource Constraints

During interviews, one of the common issues we heard repeatedly which impacted timely and accurate payroll was resource constraints at the department level, the central offices, Core Central HR Payroll, and UCPC.

UCPC indicated they do not have the bandwidth to provide all reports that are requested of them by local campus departments. In addition, they indicated that pushing such reports to departments will neither improve the efficiency nor effectiveness of location processes, as the managers would not know how to use them and what to look for. However, local UCPath support from Core Central HR Payroll is not resourced to pull and review UCPath reports. This support role transitioned to UCPath from campus locations, and UCPath hired skilled employees with expertise in HR and workforce administration, payroll, benefits, among others to support campus users. Central HR Payroll indicated that because the center of expertise was transferred to UCPath, central offices at UCSD are not adequately resourced to provide required support to UCPath transactors and departments. Also, the perception is that departments are understaffed due to high staff turnover. Central HR Payroll understands there are areas that would benefit from a distributed model, but there are activities or transactions where efficiency and effectiveness would be optimized if centralized.

Central HR Payroll could leverage overpayment triggers reports and other tools to analyze and design strategies that would be most helpful in ensuring data input quality. HR Payroll collaborates with UCPC in addressing overpayment issues and identifying potential triggers. However, defining strategies and solutions that would best meet campus department needs may require additional time and resources.

B.	Alignment of Local and UCPC Processes
We noted instances where business processes and unique local needs did not align with UCPC processes, or the tight timelines required for payroll error correction and processing.	
Risk Statement/Effect	
Without better alignment of processes and expectations, adequate support and tools locally and at UCPC, payroll error issues continue to recur and result in overpayments. The volume of overpayments was high in areas where business processes and needs have not been aligned with UCPath. Overpayments require additional time to review, analyze, confirm and process recovery.	
Management Action Plans	
B.1	HR and other central offices meet regularly with the UCPath liaison for escalation of issues and collaborate on identifying a resolution.

B.2	HR Payroll will work with departments and VC areas to clarify their roles and responsibilities, assist in identifying their unique business needs and business processes impacted by UCPC timelines and requirements, and help find the right strategies and solutions that support the departments.
B.3	While certain long-term business needs of misalignment of local processes with UCPC such as employee scales for Mariners have been resolved, HR Payroll should continue to collaborate with UCPC in identifying long-term solutions for other areas where alignment of requirements and expectations between UCSD departments and UCPath is still needed.

B. Alignment of Local and UCPC Processes – Detailed Discussion

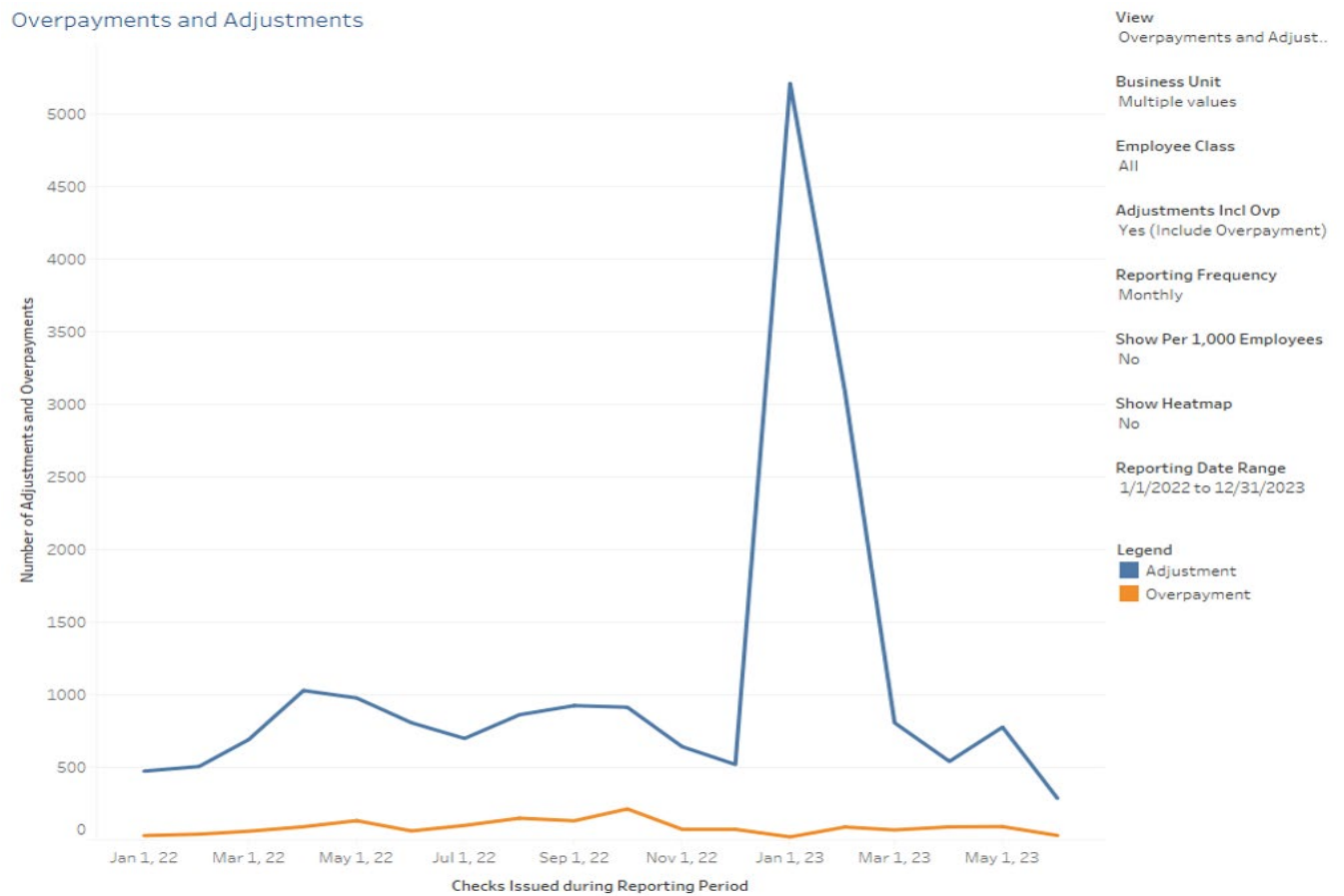
Prior to UCPath, a Central Core HR and Payroll department had oversight of the HR and Payroll processes. When UCPath was implemented as the centralized HR and Payroll system, the center of expertise and resources for campus were transferred to UCPath, but campus locations (transactors and approvers) still have the responsibility for validating and ensuring data input and changes are authorized and approved, timely, accurate and complete. However, without adequate support and tools locally and at UCPC, departments struggle to meet UCPC requirements and tight timelines required for payroll error correction and processing, which can impact accuracy and employee pay.

When overpayment issues are noted, the departments spend additional time to review, analyze, and confirm amount that was incorrectly paid or not paid. However, UCPath has hard deadlines for corrections to be entered into the system for timely processing, and the departments are not able to meet those deadlines because of their business processes challenges or other unique department needs causing overpayment/underpayment and additional work to review, validate and process corrections. Analysis of a judgmental sample of overpayments transactions and actions that potentially triggered overpayments indicated the following:

- Instances of frequent changes in employee job and pay data and unique circumstances, though within the normal course of business, could not be processed in a timely manner or without specialized action or adjustment in UCPath.
- Health Sciences and academic employees need frequent changes in FTE due to availability of funding, and in some cases, these changes also require additional level of approval that can prolong the process and result in late processing in UCPath.
- Employees' pay scales in SIO units, such as Mariners, are not accommodated in UCPath, requiring additional work with UCPath, and assistance from local UCPath support for escalation, until a new contract was implemented. However, delays in communication due to staff turnover in the department resulted in various erroneous entries in updating employee compensation, and required additional time to identify and correct errors.

The misalignment of processes and expectations between UCSD and UCPath are due to the complexities of payroll structure, and unique business needs at UCSD that take more time to resolve beyond UCPC processing deadlines, and may need expert support from UCPC. However, UCPC does not always have adequate knowledge and understanding of these business needs, and the volume of issues received from all the campuses limits their ability to provide support and address underlying

issues. The following chart shows the volume of overpayments and adjustments for UCSD for January 2022 – December 2022.



Source: UCPath Metrics Dashboard

The data displayed in Overpayments and Adjustments⁵ chart represents the number of Adjustments and Overpayment processed per month for all employee class and include money paid to employees in error as a result of a timesheet error, erroneous compensation rate, coding error on job record, severance repayment, erroneous payment during unpaid leave of absence, benefits deduction error, or FICA correction.

As UCPC continues to work on UCPath stabilization and optimization, and refining its processes, additional effort from Central HR Payroll may be needed to engage UCPC on strategies that will benefit departments and VC areas with unique business needs and processes impacted by UCPC timelines and requirements.

⁵ An adjustment is a correction to an issued paycheck that may result in an overpayment or refund. The adjustments could be as a result in a correction to earning codes, employee assignments, or deduction.

C.	Approval of SOD Conflict Exceptions and Mitigating Controls
The review and approval process for SOD conflict exceptions and mitigation controls has not been formalized, and the Controller’s approval was not documented.	
Risk Statement/Effect	
Lack of formal process and proper documentation to support approval of SOD conflict exceptions and mitigation controls reduces management oversight and accountability for these conflicts and exceptions.	
Management Action Plans	
C.1	HR Payroll will formalize the process for reviewing actions taken for SOD conflicts identified during UCPC SOD audits, and ensure that the Controller’s approval is documented.
C.2	HR Payroll will review the reports provided by UCPC and/or implement a local process to monitor transactions for users approved who have role conflicts to verify that conflicting roles do not result in inappropriate transactions, and document the outcome.

C. Approval of SOD Conflict Exceptions and Mitigating Controls – Detailed Discussion

Internal control best practices include separation of duties in processing HR and Payroll transactions to reduce the risk of errors and inappropriate actions. Currently, UCSD relies on periodic systemwide SOD audits led by UCPC. UCPC identifies SOD conflicts based on a set of SOD rules decided UC-wide by UCPC Center of Excellence and campus Controllers. The report is sent to campus locations for review and action. Other than the UCPC process, there is no local process for reviewing SOD conflicts and no verification that conflicting roles do not result in inappropriate transactions because there is reliance on the Approval Workflow Engine (AWE⁶) that is in place for some conflicting roles that are allowed and accepted based on department’s business needs.

Review of SOD Exceptions and Approvals

At UCSD, Central HR Payroll assigned a reviewer to review SOD conflicts identified by UCPC. The reviewer submits action plans (reject or accept), as well as justification and mitigation plans for conflicts accepted, for review by UCPATH Steering Committee and Controllers⁷. The reviewer provides a copy of the SOD report to the Controller, including action plans, justification, and mitigating controls for any exceptions. The Controller reviews and approves based on UCPATH Steering Committee’s recommendations and then UCPATH Security Administrator removes access for SOD conflicts that were rejected. Based on interviews, we confirmed that the Controller gave verbal approval of SOD conflicts, action plans, and mitigating controls in the recent UCPC SOD Audits. However, this approval was not documented. In addition, UCPC confirmed there was no requirement for document approval. The lack

⁶ SOD conflicts removed in lieu of AWE approvals that prevents a transactor from approving their transaction. For example, if someone updates job data and pay data, the AWE approval will not allow them to approve those transactions therefore mitigating the SOD conflict. Also, there is a report if someone were to bypass the AWE approval control.

⁷ Per Dec 2021 UCPATH Steady State Roles, the Controller is responsible for approving all SOD conflicts, exceptions, and mitigation plans, and UCPATH Steering Committee is responsible for making recommendations to Controller regarding SOD conflicts.

of formal process and proper documentation to support approval of SOD conflict exceptions and mitigation controls obscures management accountability or SOD conflicts and mitigations.

Central HR Payroll is considering formalizing the review process. In addition, the Controller is also considering delegating approval responsibility to the Executive Director of Central HR Payroll, currently serving as a member of the UCPath Steering Committee and Advisory Board.

Monitor Approval Workflow Controls

One of the mitigating controls is the reliance on UCPath's system edits whereby system controls will not allow a transactor to approve their own transactions. However, in some cases, UCPC noted that the AWE can be bypassed. At the time of our review, this has not been clarified by UCPC. UCPC runs a report to identify transactions whereby the transactor and approver are the same individuals. At UCSD, AWE was configured that does not allow any user to bypass the AWE. We confirmed that UCPC did not identify issues for UCSD in this area. UCPC aims to make the report available to locations for review on a regular basis. However, in the absence of a UCPC report local periodic reviews of transactions would identify any bypassing of AWE to ensure this does not result in inappropriate transactions.