THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
OFFICE OF ETHICS, COMPLIANCE AND AUDIT SERVICES

May 2, 2013

EXECUTIVE DIRECTOR FOX

Subject: Final Audit Report Human Resources On-Boarding, Off-Boarding, and Leaves Review – No. P13A002

Attached please find a copy of the final report for Audit Project No. P13A002: Human Resource On-Boarding, Off-Boarding, Leaves Review. With the issuance of this final report, please destroy any previous draft versions. We very much appreciate the assistance provided to us by you and members of your staff during our review. If you should have any questions please feel free to contact me at 510-987-9646 (email: Matthew.Hicks@ucop.edu).

Matthew Hicks
Audit Director

Attachment

cc: Senior Vice President Vacca
        Executive Vice President Brostrom
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        Contractor Weiss
        Contractor Hamzaee

UNIVERSITY OF CALIFORNIA
OFFICE OF ETHICS, COMPLIANCE AND AUDIT
OFFICE OF THE PRESIDENT
INTERNAL AUDIT SERVICES

HUMAN RESOURCES ON-BOARDING, OFF-BOARDING & LEAVES
Audit Project No. P13A002
April 2013

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Executive Summary

Introduction

In 2009, the University of California, Office of the President (UCOP) completed a restructuring of operations to centralize various functions and improve efficiency across departments. As part of this effort, the Human Resource (HR) Department was centralized for various UCOP offices. Select offices, due to their size, location, and / or reporting structure, were exempt from participating in the restructuring and were authorized to retain their department HR responsibilities. Currently, there are eight offices within UCOP with a Department Human Resource Manager (DHRM). DHRMs are employees that may have full time (non-HR) responsibilities but, as needed, execute HR related on-boarding and off-boarding activities for their respective office in lieu of the HR Department. Responsibilities for leave of absence related activities are currently centralized within the HR Department for all UCOP offices, with the exception of two DHRM offices, which maintain certain leave of absence responsibilities.

The HR Department operates in a consultative role, providing oversight for all DHRM offices. Standard policies and procedures are distributed by the HR Department with the expectation that each DHRM follows such procedures when performing on-boarding, off-boarding, and leave of absence related activities. The HR Department conducts monthly meetings with all DHRMs to discuss processing activities and changes to policies and procedures.

Objectives and Scope

As part of the fiscal year 2012 – 2013 annual audit plan, Internal Audit performed a review of the HR processing activities for UCOP offices with a dedicated DHRM. The audit objectives were to a) identify opportunities to improve the efficiency and consistency of on-boarding, off-boarding, and leave of absence processing across UCOP offices with a dedicated DHRM where such activities take place and b) identify opportunities for the HR Department to improve its support of UCOP Offices with a dedicated DHRM. Additionally, Internal Audit evaluated DHRM responsibilities and actions against HR Department expectations / guidance / requirements to identify opportunities for improvement and greater consistency.

The audit scope included offices at UCOP with a dedicated DHRM, including:

✓	Ethics, Compliance and Audit Services	✓	UC Press
✓	Secretary of the Regents	✓	Education Partnerships and Grants
✓	Laboratory Management	✓	California Digital Library
✓	Office of General Counsel	✓	UCDC (UC Washington DC Office)

The period under review included DHRM activities performed in fiscal year 2011 – 2012 and 2012 – 2013 through 11/15/2012.

To accomplish the project objectives and scope as documented above, the following procedures were performed:

- Conducted a risk assessment to determine the risk within each in-scope HR process and developed an audit program to evaluate the high risk categories.

- Obtained HR policy and procedure documentation and manuals relevant to on-boarding, off-boarding, and leave of absence processing.

- Conducted interviews with DHRM personnel to gain an understanding of activities performed, procedures followed, and responsibilities related to each in scope HR process. Based on inquiries performed, developed a process document illustrating a standardized on-boarding and off-boarding process for DHRMs.

- Inquired with key points of contact within HR regarding DHRM roles and responsibilities and required DHRM trainings.

- Evaluated a sample of hires, terminations, and leaves of absence processed by each DHRM against select attributes to verify timeliness of processing and adherence to UCOP HR policies and procedures.

Conclusion

Based on the audit steps performed, UCOP offices with a dedicated Department Human Resource Manager (DHRM) have a detailed understanding of how to on-board and off-board employees and initiate a leave of absence. DHRMs execute their responsibilities with a focus on doing the right thing and express a willingness to strengthen and improve processes around human resource (HR) activities. However, instances were noted where DHRMs deviated from UCOP HR procedures performed and processes lacked standardization. Furthermore, timely processing of on-boarding, off-boarding, and leave of absence documentation could be improved across DHRMs to increase new employee readiness and reduce the opportunity for terminated employees to retain system or building access after separation.

Although DHRMs are autonomous in their activities and do not report directly to the HR Department, continued collaboration and open communication exists between DHRMs and HR personnel via monthly meetings to discuss policy changes and processing activities. Additionally, HR personnel are made available to assist DHRMs as needed with questions and issues. However, opportunities exist to improve how DHRMs leverage HR to support with on-boarding, off-boarding, and leave of absence related activities, such as document retention. The audit identified instances where DHRMs were unable to provide or locate documentation to support processing activities. Clearly defined roles, responsibilities and documentation requirements amongst DHRM and HR personnel would improve retention of HR related documentation and DHRM adherence to UCOP HR policies and procedures.

Actions developed by the HR Department, in coordination with the DHRMs, will strengthen processes, improve accountability, and increase HR effectiveness within the organization.

Opportunities for Improvement and Action Plans

1. **Roles and responsibilities for retaining HR documentation is unclear amongst DHRMs and HR:**

DHRMs and HR Department personnel are unclear on their roles and responsibilities for retaining HR related documentation for offices with a dedicated DHRM, as well as the requirements for retaining such documents. As a result, throughout the review performed, Internal Audit noted instances where employee HR files could not be located or documentation could not be provided.

Specifically, we noted HR personnel files could not be located for 10 of the 30 on-boarded and off-boarded employees selected. In addition, we noted several instances where documentation was completed by the DHRM, but could not be provided upon request. The following observations were identified during the testing performed:

- 1 of 14 on-boarded employees did not have an offer letter on file within the DHRM office

- 6 of 14 on-boarded employees did not have an on-boarding checklist on file within the DHRM office

- 7 of 14 on-boarded employees did not have evidence of a required background check on file within the DHRM office

- 4 of 14 off-boarded employees did not have a payroll separation checklist on file within the DHRM office

- 3 of 11 leave of absence employees did not have a Notice of Eligibility and Rights & Responsibilities form on file within the DHRM office

Action Plan #1.1: The Executive Director of HR will follow up with respective Department Human Resource Managers (DHRM) on missing documentation (offer letter, Notice of Eligibility and Rights & Responsibilities to Employee) identified during the audit and take appropriate action to resolve any missing documentation.

Target Date: 6/15/2013

Action Plan #1.2: The Executive Director of HR will develop guidelines outlining document retention protocols for Department Human Resource Managers (DHRM) and Local HR personnel including, but not limited to, 1) required documents to be retained, 2) procedures for safeguarding employee personnel files, and 3) retention periods for HR related documents. Local HR will post the guidelines on an internal HR website and communicate guidelines via email to Local HR personnel and DHRMs.

Target Date: 6/15/2013

Action Plan #1.3: The Executive Director of HR, in coordination with Local HR and Department Human Resource Managers (DHRM), will conduct an assessment on the feasibility of centralizing the

retention of Office of the President (OP) employee personnel files within Local HR. The assessment will consider various factors including space requirements, impact of workload on Local HR, and security of personnel files. Based on the assessment, the Executive Director of HR will determine the appropriate next steps; which may include centralizing the retention of all OP employee personnel files within Local HR or continuing the business practice of DHRMs retaining employee personnel files within their departments. In the event that centralization of OP employee personnel files is not possible, the Executive Director of HR will establish an annual acknowledgement process requiring DHRMs to actively acknowledge their responsibility for safeguarding employee information and adherence to Local HR guidelines around document retention of personnel files.

Target Date: 8/15/2013

Action Plan #1.4: The Executive Director of HR will consult with Audit and Compliance to develop a monitoring process to periodically review employee personnel files within Local HR and DHRM departments to ensure adherence to Local HR document retention guidelines. In developing such a process, consideration should be given to the frequency of monitoring activities, approach, personnel involved, and documentation to be reviewed.

Target Date: *10/31/2013*

2. Untimely processing of on-boarding, off-boarding, and leave of absence documentation:

There appears to be a lack of timeliness by several DHRMs in processing HR documentation for on-boarding, off-boarding, and leave of absence employees. The following observations were identified during the testing performed:

- 2 of 14 on-boarded employees were granted access to email or building access after their start date.[1] Additionally, for 7 of 14 employees, documentation was not available to determine if employees were granted access to email or building access by their first day of employment.

- 2 of 14 on-boarded employees received their first paycheck late due to untimely completion of required payroll documentation.[2] Additionally, for 1 of 14 employees, documentation was not available to determine if the employee's first paycheck was received in a timely manner.

- 1 of 14 off-boarded employees received his / her final pay check after the separation date.[3] Additionally, for 1 of 14 employees, documentation was not available to determine if the employee received their final pay check by their separation date.

- 1 of 14 off-boarded employees received payment of accrued vacation after their separation date.[4] Additionally, for 1 of 14 employees, documentation was not available to determine if the employee received their final pay check by their separation date.

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[1] Of the two employees identified, one employee was granted access within the first 30 days of their start date and one employee was granted 30-60 days after their start date.
[2] First pay check issued within 45 days of employee start date.
[3] Final pay check issued to separated employee within two weeks of separation date.
[4] Payment for accrued vacation issued to separated employee within three weeks of separation date.

- 4 of 14 off-boarded employees had email or building access removed after their separation date. This may result in employees having access to UCOP systems following separation. Additionally, for 3 of 14 employees, documentation was not available to determine if employees had email or building access removed by their separation date.

- 4 of 10 leave of absence employees did not receive a Notice of Eligibility and Rights & Responsibilities to Employee within five business days of the employees notice request, including 1 employee whose form was not completed until the employee returned. Additionally, for 3 of 10 employees, documentation was not available to determine if the employee received the Notice of Eligibility.

Action Plan #2.1: The Executive Director of HR, in coordination with Department Human Resource Managers (DHRM), will access the feasibility of integrating DHRM departments into the recently revised Office of the President on-boarding process, which includes standard procedures, processing deadlines, and a SharePoint application to track completion of required steps. In the event the assessment determines integrating DHRMs into the revised process is not feasible, the Executive Director of HR will develop an alternative plan to resolve processing delays within DHRM departments. (Note: This finding specifically addresses the issues identified during the audit regarding on-boarding).

Target Date: 6/15/2013

Action Plan #2.2: The Executive Director of HR will communicate to Local HR, Department Human Resource Manager (DHRM) departments, and other departments within the Office of the President that Nina Chew, Disability and Leave Manager, is responsible for processing all disability and leave of absence documentation at UCOP. In addition, the Executive Director of HR will undertake various initiatives to increase awareness within UCOP around leave of absence notification requirements and designated points of contact for leave of absence processing including, but not limited to, 1) training of DHRMs, 2) UC link newsletter, and 3) weekly HR update email. (Note: This finding specifically addresses the issues identified during the audit regarding leave of absence processing).

Target Date: 8/15/2013

Action Plan #2.3: The Executive Director of HR will develop written off-boarding procedures and communicate such procedures, along with any tools and templates, to the Department Human Resource Managers (DHRM) to establish a more consistent and standardized process for off-boarded employees. In addition, the Executive Director of HR will conduct training with DHRMs (and HR Advisory Group) on the off-boarding procedures. Note: This finding specifically addresses the issues identified during the audit regarding off-boarding and is an interim solution).

Target Date: 8/15/2013

Action Plan #2.4: Local HR is in the process of evaluating the current off-boarding process for improvement and efficiency opportunities. As part of this review, Local HR will assess the feasibility of integrating Department Human Resource Managers (DHRM) into a revised off-boarding process. If process integration is feasible, DHRMs will be included as part of any revamped process roll out.

Target Date: TBD

3. Lack of standardized processes across UCOP offices with a dedicated Department Human Resource Manager (DHRM):

DHRMs conduct HR related activities with minimal oversight from the Human Resource (HR) Department, resulting in a lack of standardization and consistency in executing HR related tasks around on-boarding and off-boarding of employees. The following observations were identified during the testing performed:

- Noted instances where HR-required documentation was not consistently utilized by DHRMs, including a new hire workbook and on-boarding checklist for new hires, payroll separation checklist and exit interview for terminations, and Family Medical Leave (FML) Act tracking spreadsheet for leave of absences.

- There is no consistent tracking amongst DHRMs for issuing miscellaneous items (e.g., cell phone) to employees; potentially impeding collectability upon employee separation.

A lack of standardization in executing HR related activities may result in non-compliance with UCOP HR policies and procedures. Additionally, inconsistency can contribute to incomplete, inaccurate, and / or untimely processing of HR related activities amongst DHRMs.

Action Plan #3.1: The Executive Director of HR will develop a roles and responsibilities matrix outlining the responsibilities of Local HR personnel and Department Human Resource Managers (DHRM). The matrix will be distributed to Local HR, DHRMs, and each DHRM's respective department head to ensure alignment of expectations around the role of DHRMs and Local HR personnel.

Target Date: 8/15/2013

Action Plan #3.2: The Executive Director of HR, in coordination with Department Human Resource Managers (DHRM), will seek to identify and implement solutions to integrate DHRMs more closely into HR communication in an effort to improve DHRM awareness around HR procedural changes, process or policy changes, or new activities. The solution should be repeatable and not be an administrative burden or add additional time to the workload of personnel. Consideration may be given to a quarterly meeting, webinar, or other form of update that meets the needs of DHRMs.

Target Date: 8/15/2013

Additional Recommendation

Internal Audit recommends management consider the following additional improvement opportunity to better align with leading operational practices.

1. **Lack of metrics to monitor DHRM and HR Department performance:**

DHRMs and the HR Department do not consistently maintain metrics / reporting requirements specific to on-boarding, off-boarding or leave of absence (LOA) processes. Currently, metrics maintained by the HR Department only track the number of employees on-boarded, off-boarded, and how many employees were on a leave of absence. More operational reporting to measure performance of HR related activities could improve the HR Department effectiveness in serving UCOP and assisting the organization to achieve its strategic objectives.

The HR Department should consider developing metric reporting that captures a more detailed view of the overall HR function. Reports could include, but not be limited to, the following analysis: employee retention rates over time, turnover rate by position or office over time, time to fill open positions, positions vacant by office over time, and employee absentee rate over time. Additionally, more enhanced metrics around the timeliness of processing amongst DHRMs and HR Department should be tracked and analyzed to identify opportunities to further improve processes and address processing issues. Such metric reports should be prepared and reported on a monthly or quarterly basis and shared with all DHRMs during the monthly HR Advisory meeting.

It should be noted, however, that the HR Department's current collection of HR systems limit its ability to produce useful metric reports without significant manual effort.