

UNIVERSITY OF CALIFORNIA, RIVERSIDE

AUDIT & ADVISORY SERVICES

AUDIT REPORT R2024-07

UCPATH SEPARATION OF DUTIES

February 20, 2025

Performed By:

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Approved By:

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UNIVERSITY OF CALIFORNIA, RIVERSIDE

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February 20, 2025

To: Asirra Suguitan, Associate Vice Chancellor and Campus Controller
Business and Financial Services

Re: UCPATH Separation of Duties Audit
Audit No. R2024-07

We have completed the audit of the UCPATH Separation of Duties in accordance with the University of California, Riverside Audit Plan. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Our report is attached for your review.

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.

We appreciate the cooperation and assistance provided by you and your staff. Should you have any questions concerning the report, please do not hesitate to contact me.

Respectfully,

Gregory Moore
Director
Audit & Advisory Services

cc: Chief Financial & Administrative Officer, Veronica Ruiz
Payroll Coordination & Analysis Manager, Alfred Karam
Ethics & Compliance Risk and Audit Controls Committee

Executive Summary

Purpose and Scope

University of California Riverside (UCR) Audit & Advisory Services (A&AS) completed an audit of the University of California Payroll, Academic Personnel, Timekeeping, and Human Resources (UCPath) system separation of duties (SOD). The purpose of this audit was to evaluate the design and implementation of internal controls and processes in place to manage and monitor separation of duties conflicts within UCPath. This audit was requested by Ethics, Compliance, and Audit Services (ECAS) and included in the fiscal year 2023-24 UCR internal audit plan.

The scope of this audit included a review of internal controls and processes in place during the time of the audit fieldwork, which was conducted during the months of April 2024 through June 2024. We evaluated the local approval process and the design of mitigating controls in place for SOD conflicts through discussions with employees, by reviewing documentation to corroborate and understand processes that support key control activities, and by reviewing the campus separation of duties conflicts and actions from the most recent FastPath Assure reporting cycle completed in April 2024, based on user access as of March 5, 2024.

Results

Based on the work performed, we identified an area of improvement needed to strengthen internal controls and/or compliance with University of California (UC) policies and procedures. The issue is noted below and further discussed in the Observation section.

- Observation #1 – Documented Review and Approval by Campus Controller

The observation, recommendation, and management corrective action is discussed in more detail below. A summary of the audit testing is provided in the Appendix.

Background

In July 2020, the University of California completed implementation of UCPath, the largest business transformation initiative in UC history. The term UCPath contains an acronym of its core service components: payroll, academic personnel, timekeeping and human resources. UCPath is a strategic transformation of UC's legacy payroll systems into a state-of-the-art workforce management solution.

The UCPath Center (UCPC) was established as the support shared services center that manages and provides central processing for payroll, benefits, and other human resources transactions across the entire UC system. UCPC serves more than 230,000 employees from each UC campus and medical center as well as vendors, location administrators, providers and policymakers from the University of California Office of the President. UCPC provided individualized support on the UCPath online tool and self-service portal to campus locations as they were onboarded to the new UCPath system.

The University of California Office of the President (UCOP) Cybersecurity Audit team conducted an internal audit to evaluate the internal controls and processes that support UCPath. The cybersecurity audit determined that UCPath lacked sufficient separation of duties (SOD) controls and monitoring.

As part of the audit response, the UCPath Center and campus locations are to perform semi-annual SOD audits to ensure individuals have appropriate access to perform their job, identify individuals that have the ability to perform actions that result in a SOD conflict per established business rules, and resolve SOD conflicts or document mitigations and exception requests.

The UCPath semi-annual SOD audits will be performed using a cloud-based risk and compliance solution called FastPath Assure. Reviewers will either reject or approve a SOD conflict within FastPath. Rejecting a conflict in FastPath means the reviewer does not approve of the access that is causing the SOD conflict and access will be removed. Approving a conflict in FastPath means the reviewer approved the access that has been flagged as a conflict. UCOP has tasked campuses to perform an audit at their location as part of their annual audit plan to evaluate controls and processes in place to manage SOD conflicts within UCPath.

Separation of duties is a critical function for effective risk management and internal controls because it reduces risk of errors and inappropriate actions. The principal of SOD is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation in key processes, fraud and error are far less manageable.

A SOD conflict exists in UCPath when an individual can perform any of the combination of user access roles in the following table:

Campus SOD Conflicts within UCPath	
Administer security and:	Update PayPath
	Complete salary cost transfers
	Update employee job or pay data
	Approve AWE ¹ transactions
Administer AWE and:	Update PayPath
	Complete salary cost transfers
	Update employee job or pay data
	Approve AWE transactions
Administer security	Administer AWE

Access needs to be removed to eliminate conflicts, or a justification with mitigating controls needs to be documented and submitted with the SOD audit, which will be reviewed by campus Controllers.

¹ Approval Workflow Engine (AWE) is a security-based approval routing process that systematically routes certain UCPath transactions for review and approval before they are processed in the system.

Observations and Management Corrective Actions**Observation #1 – Documented Review and Approval by Campus Controller**

Condition: During our audit procedures, we noted the campus Controller performed a secondary review and approval of the SOD conflict exceptions and mitigating controls from the most recent SOD audit completed in April 2024. This review was not formally documented and submitted to UCOP by the May 10, 2024 target date. However, the Controller submitted an email to UCOP on August 1, 2024 confirming the review and approval of exception requests and mitigating controls for the April 2024 SOD Audit. In discussions with UCOP personnel, the review and approval of SOD dates were established as target dates. In some cases, locations may not be able to meet the target dates due to additional internal conversations that are required to resolve SOD issues. However, the goal is to complete the review by the target dates.

Criteria: In accordance with the audit instructions from the April 2024 UCPath SOD Audit Kickoff meeting, location Controllers will need to review SOD conflict exceptions and mitigation controls.

Cause: UCR underwent a personnel change at the campus Controller level which resulted in some campus processes not fully transitioning over. The transition period for the campus Controller position started in August 2023 with hiring of the new Controller and ended with the prior Controller retiring on May 1, 2024. During that time frame, they both shared the Controller responsibilities. UCR implemented a new financial system in July 2023 and during the Controller transition period, UCR was in stabilization period for the new financial system. Also, during that time frame, the first fiscal year end closing was performed under the new financial system.

Effect: Lack of timely review and approval can result in inappropriate SOD conflict exceptions and inadequate mitigating controls put in place which can increase the risk of errors and inappropriate actions. Documentation will help support that the review and approval took place.

Recommendation: We recommend the campus Controller formally document their review and approval of SOD conflict exceptions and mitigating controls as part of the semi-annual SOD audits conducted by the UCPath Center and the campus.

Management Action Plan: The Controller will formally document their timely review and approval of SOD conflict exceptions and mitigating controls as part of the semi-annual SOD audits conducted by the UCPath Center and the campus.

Expected Implementation Date: Implemented.

Appendix - Objective, Scope, and Methodology

Audit Objective – The purpose of this audit was to evaluate the design and implementation of internal controls and processes in place to manage and monitor separation of duties conflicts within UCPath. This audit was requested by ECAS and included in the fiscal year 2023-24 UCR internal audit plan.

Audit Criteria

During the audit planning, we identified the following criteria which was significant to the audit:

- UCPath Separation of Duties Audit Kickoff – April 2024

Audit Testing Completed

The scope of this audit included a review of internal controls and processes in place during the time of the audit fieldwork, which was conducted during the months of April 2024 through June 2024. We evaluated the local approval process and the design of mitigating controls in place for SOD conflicts through discussions with employees, by reviewing documentation to corroborate and understand processes that support key control activities, and by reviewing the campus separation of duties conflicts and actions from the most recent FastPath Assure reporting cycle completed in April 2024, based on user access as of March 5, 2024.

To fulfill the audit objective, we completed the following testing:

- Discussed processes and internal controls with key personnel from the UCR Path Campus Support Center.
- We performed walkthroughs and reviewed documentation describing the processes and internal controls that support key activities such as:
 - Rejecting a conflict in FastPath including coordinating removal of access for such conflicts with the local UCPath security administrator.
 - Approving a conflict in FastPath including documenting justification with mitigating controls for such conflicts.
 - Review and approval of SOD conflict exceptions and mitigating controls by the campus Controller.
- We obtained the most recent SOD conflicts report from FastPath Assure completed in April 2024. We selected a sample of rejected and accepted SOD conflicts and reviewed documentation to verify whether:
 - Access was removed, when deemed necessary, and notes were added to rejected conflicts in FastPath.
 - Justification with mitigating controls was documented for approved conflicts in FastPath. We evaluated whether the mitigating controls sufficiently addressed the conflict and reduced the risk.
 - Documented review and approval of SOD conflict exceptions and mitigating controls by the campus Controller exists.
- We obtained the most recent shared services center transaction reports for the first quarter of calendar year 2024 to verify if any UCPath transactions occurred in which the initiator and approver were the same individual. We reviewed such transactions and determined:

- Risk of fraud (i.e. improper governmental activities)
- Why the initiator was the same as the approver
- Why the mitigating controls were ineffective

Evaluation of Internal Controls

Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. These objectives and related risks can be broadly classified into one or more of the following three categories:

- Operations – Effectiveness and efficiency of operations
- Reporting – Reliability of reporting for internal and external use
- Compliance – Compliance with applicable laws and regulations

We obtained an understanding of the internal controls relevant to the separation of duties within UCPath to evaluate the design and effectiveness in accordance with the Committee of Sponsoring Organizations (COSO) Internal Control – Integrated Framework.

Based on our audit testing, with the exception of the area of improvement discussed in the Observations section, we concluded that internal controls are properly designed and operating effectively.