October 26, 2022

EXECUTIVE DIRECTOR PLUZDRAK

RE: Final Report Project No. P21A008: Recruitment and Compensation Process

Attached is a copy of the final report for: Audit Services Project No. P21A008 Recruitment and Compensation Process. 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).

Matt Hicks
Systemwide Deputy Audit Officer

Attachment

cc: Senior Vice President Bustamante
        Executive Vice President Nava
        Executive Director Kalmijn
        Systemwide Associate Audit Director Bishin
        Senior Human Resources Partner Arnold
        Compensation Manager Lerma

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

RECRUITMENT AND COMPENSATION PROCESS
Audit No. P21A008
October 2022

Work Performed by:
Deloitte, Contract Auditor

Work Reviewed by:
Systemwide Associate Audit Director Bishin
Systemwide Deputy Audit Officer Hicks

Executive Summary

Introduction

As part of the University of California Office of the President's (UCOP) 2020 – 2021 fiscal year internal audit plan, Internal Audit performed an audit of UCOP's process around recruiting, hiring, promotion, and compensation to evaluate alignment with applicable laws, policies and leading practices.

The job recruitment process is initiated when a position vacancy occurs. Position descriptions are written by the department's hiring manager, with consultation from the assigned UCOP Human Resources (HR) business partner. The position description is uploaded to a repository where the UCOP compensation team will conduct a review to determine the appropriate salary range using the position description. After the salary range is determined, the UCOP HR Executive Director performs review of the salary range and job description to ensure they meet the standards and then provides final approval if requirements are met.

Once approved by the UCOP HR Executive Director, the position is posted into the Talent Acquisition Management (TAM) portal by the business partners, and the recruiting team approves the position. Then the position is posted following the strategy outlined in the affirmative action plan to recruit from a diverse pool of potential applicants. Recruiters do outreach to attract applicants with a specific profile in a specific industry, profession, diversity or organization. Recruiters utilize venues based on location, such as in the San Francisco Bay area, or on platforms such as LinkedIn. To determine whether UCOP HR is meeting diversity goals, a report is run each year to review the hiring demographics. From that report, the team determines whether it met its goal, or what needs to be done in the next year to meet the goal.

Once a candidate pool is selected, the candidates will go through an interview panel process where the final candidate will be selected. Reference checks will occur, and then the recruiter will present the offer. Finally, the department emails the salary, the selected candidate, and rationale for why the candidate was selected to the HR Business Partner who requests final approval from the UCOP HR Executive Director.

Objective and Scope

The purpose of the audit was to provide an overview of UCOP's compliance with policies and state and federal laws, and to perform a review of hiring processes, specifically in relation to recruiting, hiring, promotion, and compensation of staff. The audit procedures included the following:

- Performed interviews with key process owners to determine an understanding of processes, procedures and controls, and reviewed supporting documentation related to the following:
    - Recruiting and hiring processes and practices, including:
        - Employment advertising and job postings, including alignment of

listings with current standards;
- Candidate evaluation and selection practices, including processes to assess candidate experience against job requirements and listings; and
- Positive outreach to effectively recruit qualified individuals of varied backgrounds and abilities.

  o Compensation practices, including:
- Documented pay setting guidance, practices and supporting data used; and
- Fair, equitable and legally defensible practices for setting pay for external hires.

  o Promotion process and practices, including:
- Adherence to merit system principles; and
- Established and documented evaluation criteria and practices.

- Reviewed relevant documentation, including policies, procedures, standards, baselines, guidelines, and relevant prior assessment reports.

- Tested sample documentation and events (e.g., job postings, candidates evaluated for hiring, promotions and associated compensation setting/changes) for compliance with policy and federal and state requirements, including assessment of supporting data utilized and documentation retained.

Overall Conclusion

The following procedures were noted during the internal audit and are consistent with leading practices for recruitment and compensation:

1. **Affirmative Action Plan:** The Affirmative Action Plan is developed yearly and contains relevant quantitative metrics such as job group analysis, placement of incumbents in job groups, and determining availability.

We identified observations that impact the management of risks related to recruitment and compensation at UCOP. A summary of the observations ranked in order of significance is listed below:

1. **Length of Time That Job Postings Were Made Public Was Not Documented:** Data was not available to confirm the duration for which jobs were posted publicly. As such, reasonable comfort could not be attained over the required job posting timeframe per the UCOP HR procedures.
2. **Rating Sheet Not Completed for All Candidates:** UCOP HR procedures require that rating sheets be completed for all candidates where applicable; however, 13 of the 21 samples did not meet this requirement.
3. **Interview Data Form Not Consistently Available:** Interview data form used by the hiring authority to document selection decision, with signatures and reasons for non-

selection noted, was not provided for 13 of the 21 samples. This is a requirement defined in the UCOP HR procedures.

4. **University Application Form Not Completed:** Two of the 21 samples did not have a university application form in their file, which is required per the UCOP HR procedures.

5. **Questions Not Documented for Interviews:** Three of the 21 samples did not have the interview questions documented, which is required per the UCOP HR procedures.

For a detailed discussion of these issues, including the management action plans, please refer to the subsequent pages of this report. Additionally, Internal Audit identified recommendations for UCOP HR to consider to better align with leading practices.

Opportunities for Improvement and Action Plans

1. **Length of Time that Job Postings Were Made Public Was Not Documented**

    Data was not available on how long jobs were posted. As such, reasonable comfort could not be attained over the required job posting timeframe per the UCOP HR procedures.

    Per UCOP Human Resources Procedure 20 - Recruitment, jobs are to be posted for the following minimum lengths of time depending on the job classification:
    a. Senior manager group - Four weeks
    b. Management and Senior Professionals - Three weeks
    c. Professional and Support Staff - Two weeks

    For the 21 samples, no data was available that indicated how long the positions were posted on the UC job board. As such, Internal Audit could not determine whether the jobs were posted for the required minimum lengths in time.

    By not having jobs posted for the required minimum lengths of time, there is a risk that an insufficiently diverse and plentiful pool of candidates will be considered for a posted job, and in turn may lead to unfair recruitment practices.

    Action Plan: UCOP Local HR Talent Acquisition will retain documentation that evidences the job posting length of time to ensure that the minimum posting length outlined in the UCOP Local HR procedures is supported and met. In addition, UCOP Local HR Talent Acquisition Manager will update the UCOP Local HR procedures to note the specific support (e.g., job posting and close dates) that should be retained to evidence that the position was posted for the required length of time.

    Target date: December 31, 2022

2. **Rating Sheet Not Completed for All Candidates**

    UCOP HR procedures require that rating sheets be completed for all candidates, where applicable. The rating sheet reflects each of the interview questions and the interviewer's ratings of the interviewee's responses on a scale of 1 to 5. Thirteen of the 21 samples reviewed did not include a completed rating sheet to meet the requirement, where applicable.

    UCOP Human Resources Procedure 20 – Recruitment specifies that when all of the recruitment processes have been completed, including necessary salary approvals, the following documentation must be returned to the UCOP Employment and Staffing Services Unit within two weeks of making the final offer:

    - All applications and resumes
    - Rating sheet completed for all applicants (if applicable)

- Interview Data Form with signatures and reasons for non-selection noted
- Interview Questions
- List of Screening Committee members (if applicable)
- Copy of offer letter

The UCOP Employment and Staffing Services Unit maintains this information as the office of record for the completed recruitment. Per the process owners, evidence to support the selected samples was documented but could not be provided as they were not in electronic form and therefore not readily accessible.

Rating sheets that were provided contained the interview questions asked, the answer for the questions provided by the candidate, and a rating for the answers. At the end of the rating sheet there is an option for the interviewer to circle whether they would recommend or not recommend the candidate be hired. Having a rating sheet with standardized questions allows for all candidates to be evaluated in a similar manner and helps contribute to the most qualified candidate being selected.

By not retaining a record of each rating sheet for all interviewed candidates, the rationale for the selected hire may not be sufficiently documented. As such, there is a risk that the hiring practice may be perceived as unfair.

Action Plan: UCOP Local HR Talent Acquisition will continue with the initiative to transition all paper-based documents including rating sheets to electronic records that are retained securely within an approved repository. In addition, for existing paper-based documents, UCOP Local HR Talent Acquisition will file them in an organized manner such that they are easily accessible.

UCOP Local HR Talent Acquisition will also develop guidance to implement a process that requires that personnel involved in the recruitment process complete rating sheets for all candidates and that these rating sheets are maintained in the recruitment file.

Target date: December 31, 2022

3. **Interview Data Form Not Consistently Available**

Interview data form used by the hiring authority to document selection decision, with signatures and reasons for non-selection noted, was not available for 13 of the 21 samples. The retention of interview data forms is a requirement defined in the UCOP HR procedures.

UCOP Human Resources Procedure 20 – Recruitment specifies that when all of the recruitment processes have been completed, including necessary salary approvals, the following documentation must be returned to the UCOP Employment and Staffing Services Unit within two weeks of making the final offer:

- All applications and resumes
- Rating sheet completed for all applicants (if applicable)

- Interview Data Form with signatures and reasons for non-selection noted
- Interview Questions
- List of Screening Committee members (if applicable)
- Copy of offer letter

The UCOP Employment and Staffing Services Unit maintains this information as the office of record for the completed recruitment. Per the process owners evidence to support the select samples was documented but could not be provided as they were not in electronic form and therefore not readily accessible.

By not including an interview data form, the rationale for hiring decisions may not be adequately document, which could result in unfair or inequitable hiring practices or perceptions of inequitable practices.

Action Plan: UCOP Local HR (Talent Acquisition and Payroll) will continue with the initiative to transition all paper-based documents to electronic records that are retained securely within an approved repository. In addition, for existing paper-based documents, UCOP Local HR Talent Acquisition will file them in an organized manner such that they are easily accessible

UCOP Local HR Talent Acquisition Team will also verify that those involved in the recruitment process are completing an interview data form, and that the data forms are subsequently retained. To do so, UCOP Local HR Talent Acquisition Operational Team (Recruiter and Recruiting Coordinator) will implement a review of the recruitment file prior to closing the position to verify that necessary documents are available upon request.

Target date: December 31, 2022

4. **University Application Form Not Completed**

Two of the 21 samples did not have a university application form in their file, which is required by the local procedures.

Local HR procedure UCOP Human Resources Procedure 20 – Recruitment requires that a university application form be completed and that a record of this completed form be kept for the selected candidate. For two of the sampled 21 hires, a completed university application form was not retained in the file. As such, there is no way to determine whether the form was completed by the candidate.

By not completing and retaining a university application form, there is a risk that those involved in recruitment may be perceived as performing unfair recruitment practices that are against documented procedures.

Action Plan: UCOP Local HR (Talent Acquisition and HR Business Partners) will confirm that a university application is completed and retained and part of the recruitment record, as required by the local procedures. UCOP Local HR Talent

Acquisition and UCOP Local HR Payroll Team will also establish guidance to implement review of the recruitment file prior to closing the position to ensure all necessary documents are in the file.

Target date: *December 31, 2022*

5. **Questions Not Documented for Interviews**

   For three of the 21 samples, the interview questions were not included in the file as required by the local procedures.

   UCOP Human Resources Procedure 20 – Recruitment specifies that when all of the recruitment processes have been completed, including necessary salary approvals, the following documentation must be returned to the UCOP Employment and Staffing Services Unit within two weeks of making the final offer:

   • All applications and resumes
   • Rating sheet completed for all applicants (if applicable)
   • Interview Data Form with signatures and reasons for non-selection noted
   • Interview Questions
   • List of Screening Committee members (if applicable)
   • Copy of offer letter

   The UCOP Employment and Staffing Services Unit maintains this information as the Office of Record for the completed recruitment. Per the process owners, evidence that interview questions for the select samples were documented could not be provided as they were not in electronic form and therefore not readily accessible.

   By not having interview questions documented, there is a risk that the interview process was not standardized across all applicants, and hence can lead to the perception that the hiring process is unfair.

   Action Plan: *UCOP Local HR Talent Acquisition Team will continue with the initiative to transition all paper-based documents of interview questions to electronic records that are retained securely within an approved repository. In addition, for existing paper-based documents, UCOP Local HR Talent Acquisition Team will file them in an organized manner such that they are easily accessible.*

   For sustainment, UCOP Local HR Talent Acquisition Team will ensure that all questions for the interviews are documented and kept in the job posting file. UCOP Local HR Talent Acquisition/Operational team members will also develop guidance to require a review of the recruitment file prior to closing the position to ensure all necessary documents are in the file.

   Target date: *December 31, 2022*

Additional Recommendations

Internal Audit identified the following additional recommendations for UCOP HR to consider to better align its processes with leading practices.

1. **Specify Minimum Years in Job Position**

    Per inquiry with the compensation manager, an analysis is used by the compensation team to determine equitable salary ranges for a position. To perform the analysis, the compensation manager reviews other employees with a similar job code as one of the candidates being hired. The compensation manager reviews the average and median salaries and compares that the salary structure, or job grade, and years of experience in that job. This analysis is completed using data from UC Path, UC's payroll and benefits system. Incumbent's resumes and market data are used as a secondary source of information to confirm whether the salary offer is appropriate and equitable.

    The UC salary structure is determined by multiple factors such as job title, description of duties, comparison to other employees in the same job grade, and years of experience or years of experience in that job level. Market data is also used to maintain competitive compensation packages.

    The promotion process follows a similar analysis, but it has been noted that the job descriptions and requirements do not specify minimum years of experience required for each level.

    By not specifying minimum number of years required for each position level, there can be a disconnect between the market data that is used for determining compensation and the position itself. This can lead to difficulty in conducting analysis to pay market value as the market data factors in the minimum years of experience requirement.

    Recommendation: Include minimum number of years at each experience level to better interact with market data and ensure equitable compensation practices.

2. **Update Local HR Procedures on an Annual Basis**

    Procedures surrounding recruitment, appointment, classification of positions, and compensation are not consistently being reviewed on an annual basis, which has led to outdated policies and procedures that are not reflective of current and leading practices. In addition, it was noted that a specific timeline for updating UCOP HR procedures after a policy change has not been identified.

    UC maintains systemwide HR policies, while UCOP maintains local HR procedures relating to the corresponding policy. Systemwide policies guide local procedures, with local procedures having more detailed and in-depth language. The procedures may not contradict the systemwide policy. When the systemwide policy is updated, the UCOP HR Executive Director and her team will review their local procedures to determine if

an update is required. The Senior HR Generalist works with the subject matter expert who owns the policy to update the procedure based on changes to the policy. The UCOP HR Executive Director then reviews and approves the local procedure changes. Approval is then required by the Office of General Counsel and the UCOP Director of Operations. Once all approvals are granted, the updated procedures are posted to the UCOP HR website. UCOP HR strives to update local procedures as soon as possible after systemwide policy changes are implemented, but a required timeframe is not specified.

Recommendation: *Establish guidance to require that UCOP HR procedures be reviewed and updated on an annual basis, documenting evidence of this review. The reviewer should also validate that procedures reflect current practices. In addition, establish a timeframe for when updates to the UCOP HR procedures should be made following a systemwide policy change to reduce the risk of procedures not reflecting current policy requirements.*

3. **Review the Diversity Report to Validate That a Diverse Pool of Applicants Has Been Received**

In testing, it was noted that there is no evidence that a diversity report is reviewed to verify that a diverse pool of candidates has applied. Currently, UCOP HR relies on its recruiters to perform outreach with diverse affiliated organizations to increase the pool of diverse applicants. A mechanism to confirm that this action has been taken by the recruiters, and to validate that this action is leading to an increase in diverse applicants is currently not evaluated.

The diversity report is a document that outlines in matrix form the gender (e.g., male, female) and race/ethnicity (e.g., Asian, African American, Hispanic, etc.) for candidates that have applied to a position. UC PPSM 20 does not require that this document be retained or used as part of the recruitment process, but an opportunity for improvement exists to incorporate this review to confirm that a diverse pool of candidates have applied, and that efforts made to recruit diverse candidates are effective or require a new strategy.

There is a risk that the current strategy implemented to recruit diverse applicants is not effective, potentially impacting the ability to meet the goals and timetables set within the affirmative action plan.

Recommendation: *Incorporate the review of the diversity report for open positions to verify that a diverse pool of applicants is received. In addition, utilize data captured in the diversity reports to determine if progress is being made toward goals outlined in the affirmative action plan, and to evaluate whether recruiting strategy for attracting diverse talent is effective.*

Consult with UC Legal regarding the opportunities, benefits, and risk associated with retaining the diversity report as part of the completed recruitment file. Based on the guidance from UC Legal, determine how best to leverage the diversity report to validate that efforts made to recruit diverse candidates are effective.