HUMAN RESOURCES PAYROLL CENTER – NORTH

AUDIT REPORT #16-2231

Audit & Advisory Services

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Background

In accordance with the UCLA Administration fiscal year 2015-16 audit plan, Audit & Advisory Services (A&AS) has conducted an audit of the Human Resources Payroll Center (HRPC) – North.

HRPC – North provides human resources and payroll services to over 3,200 employees across twelve units , which includes Academic Planning and Budget, Administrative Vice Chancellor, Campus Human Resources, Chancellor’s Organization, Corporate Financial Services, Early Care and Education, Housing & Hospitality Services, Financial & Administrative Services, Information Technology Services, Insurance and Risk Management, Real Estate, and Special Projects,. The services provided include recruitment, background checks, onboarding (completion of forms, data entry and orientation), first level of employee and labor relations support, compensation and employment (PeopleAdmin consultation and transaction review and approval processing), payroll training and processing, leave and worker's compensation administration, employee awards administration, tracking of completion of compliance training, student work-study award administration, and exit interviews.

Purpose and Scope

The primary purpose of the review was to ensure that HRPC – North’s organizational structure and controls, and the related systems and procedures were conducive to accomplishing its business objectives surrounding personnel and payroll activities. Where applicable, compliance with University policies and procedures was also evaluated.

The scope of the engagement focused on the following areas:

* Roles and Responsibilities
* Accountability Structure
* Documentation and Approvals
* New Hires and Separations
* Payroll Processing
* Training
* Physical Security
* Information Systems

The review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and included tests of records, interviews with key personnel, and other auditing procedures considered necessary to achieve the audit purpose.

Summary Opinion

Based on the results of the work performed within the scope of the audit, HRPC – North’s internal controls are generally conducive to accomplishing the department’s business objectives surrounding personnel and payroll activities. However, internal controls in the following areas could be strengthened:

* Service Level Agreements (SLA) should be established and signed with all the departments HRPC – North services that currently do not have an agreement. Existing agreements for the remaining departments should be updated to reflect current roles and responsibilities.
* The Chief Administrative Officers (CAOs) for each department should review the personnel and payroll accountability to ensure that the structure reflects access that is appropriate and consistent with organizational structure and job responsibilities.
* Physical security and accountability over employee awards (i.e. gift cards) should be further enhanced.
* Annual performance evaluations for employees in the departments that HRPC – North services should be performed in a timely manner and submitted to HRPC – North.
* HRPC – North should work with the departments they service where supervisors are still printing out and approving paper timecards to transition to electronic approvals in Kronos. All timecards should be approved by appropriate department supervisors before payroll is processed and paid.
* Biometrics4ALL fingerprinting system passwords and security questions and answers should be strengthened to ensure they meet UCLA minimum password complexity standards. Management should also check if accounts can be set to lockout after consecutive invalid login attempts.
* Separated employees' access to the Biometrics4ALL fingerprinting system should be removed in a timely manner. The security groups in the Biometrics4ALL fingerprinting system should be revised to provide users the access they need to perform their job duties, while also restricting access to administrator level.
* Individual user accounts to the DOJ Criminal Background Check Results System should be established.

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

Audit Results and Recommendation

Roles and Responsibilities

Service Level Agreements

A&AS requested SLAs for all the departments serviced by HRPC – North and verified if agreements have been documented, are up to date, and signed.

Written SLAs have been established with nine of the twelve departments serviced by HRPC – North, which delineates the roles and responsibilities between the entities.  Some of the roles and responsibilities have changed over the years, and the existing agreements have not been updated since they were originally drafted, some dating back to 2004.  This issue was reported in the last audit (#12-2270, dated August 17, 2012) with an understanding that updating of the SLAs could be deferred until fiscal year 2013-14 based on the fact that the scope of services provided to departments may change once the UC Path project is fully implemented; the current projected implementation date for UCLA is August 2017. As of June 2016, the UC Path project has not been implemented. HRPC – North has plans to update the existing agreements.  In addition, all the existing SLAs have not been signed by the departments and HRPC – North.

Recommendation: SLAs should be established and signed with all the departments HRPC – North services that currently do not have an agreement. Existing agreements for the remaining departments should be updated to reflect current roles and responsibilities.

Response: New Service Level Agreements (SLAs) will be prepared for departments that currently do not have one, and existing SLAs will be updated to include additional services, if appropriate. All SLAs will be reviewed with client departments by the end of March 2017.

Accountability Structure

1. Accountability Structure

The personnel and payroll accountability structure for HRPC – North and the departments that it services was reviewed for appropriateness. Specifically, the Distributed Administrative Computing Security System (DACSS) in effect for May 2016 was evaluated for effective delegation of authority in initiating, processing, and reviewing personnel and payroll transactions, and for adherence to the UCLA Financial Policy on “Principles of Financial Accountability.” According to the UCLA Financial Policy, maintaining and securing an effective accountability structure should provide for the routine update of DACSS to ensure that proper access is granted to inquire, prepare, and/or review transactions.

HRPC – North sends daily announcements to key department contacts notifying them of potential access changes. Recipients of the emails include Department Security Administrators (DSAs), the Access Control unit within Housing Services, H&HS Information Technology, and client representatives.

Overall HRPC – North and the departments it serves have an effective accountability structure for the delegation of initiating, processing, and reviewing personnel and payroll transactions. However, the following were noted in each of the areas reviewed:

* Corporate Financial Services (CFS): Three users had access to personnel payroll update functions. According to HRPC – North, CFS does not perform personnel and payroll update duties.
* Early Care and Education (ECE): One user had access to a payroll update function. According to HRPC – North, ECE does not perform personnel and payroll update duties.
* HRPC – North: A former HRPC- North employee who had transferred to Office of Residential Life in January 2014 continued to have payroll update access to departments serviced by HRPC – North. In addition, three HRPC South employees had payroll update access to departments serviced by HRPC – North.

Immediate action was taken by HRPC – North management and DSAs in the departments to remove and adjust users' access to personnel and payroll update functions when it was identified during the audit.

Recommendation: The Chief Administrative Officers (CAOs) for each department and HRPC – North management should monitor accountability delegations by reviewing quarterly DACSS reports to ensure that the accountability structure reflects access that is appropriate and consistent with the department’s organizational structure and job responsibilities.

Response: The HRPC-North Director will work with the CAOs for each client department to ensure the accountability structure reflects access that is appropriate and consistent with the department’s structure and job responsibilities. In addition, the CAO’s names will be added to the daily HR Activity Report currently sent to key staff at H&HS as a way to inform them of individuals in their organization whose access needs to be terminated or added.

1. Post Authorization Notifications (PAN) Review

The PAN Aging Reports available on the online Document Direct system were queried to verify that employees who are set up as mandatory payroll reviewers have read their PANs in accordance with the UCLA Financial Policy. Review of the June 4, 2016, "PAN Aging Report Active" reports showed that employees who are set up as mandatory payroll reviewers have read their PANs in a timely manner.

There were no significant control weaknesses noted in this area.

Documentation and Approvals

1. Awards

Employee recognition awards were reviewed to verify that they were properly awarded and monitored in accordance with University policies. University of California – Policy BFB-G-41, “Employee Non-Cash Awards and Other Gifts” indicates that employee recognition awards are limited to $75 each and three per calendar year.  A&AS analyzed the total number of awards issued to each employee during calendar year 2015, which totaled 3,753 awards (or $281,475), noting that each award was limited to a $75 gift card and no employee received more than three awards. A judgmental sample of 15 employee recognition awards issued during calendar year 2015 were also reviewed, noting that all the awards in the sample were properly approved by the employees' directors and employees signed the award log acknowledging they picked up their gift cards.

Physical security and accountability over the awards was also reviewed and discussed with HRPC – North management. Employee recognition awards are secured in a safe overnight.  The safe is located in the Assistant Director of Payroll’s office which is locked after hours and equipped with a security camera. The safe can be opened with a combination or key. The combination has been provided to the HRPC – North front office staff, Budget & Administrative Manager, Assistant Director of Payroll, and HRPC – North Director.  At the beginning of each day, HRPC – North staff retrieve the awards from the safe and store them in a plastic bin in the front office area for quicker access when employees come to pickup their awards.  Access to the front office area is restricted to HRPC – North staff and covered by security camera surveillance.  The total number of gift cards on-hand is tracked in a log.  At the beginning and end of each day, a physical inventory count of the gift cards is performed by two HRPC – North staff and compared to the expected quantity on-hand per the log.  Although the above noted controls help to safeguard and account for the gift cards, the plastic bin where the gift cards are stored during the day is not locked and dual custody access to the safe is not required.  The plastic bin is kept on top of a filing cart in front of the Assistant Director of Payroll’s office or the corner of a HR & Payroll Specialist’s desk hidden from customers’ view. HRPC – North management indicated that with the number of employees that come by to pick up their gift cards and the other responsibilities of front office staff, it would not be feasible to secure the gift cards in the safe and require two people to go back and forth to the safe to retrieve the gift cards.

Recommendation: HRPC – North management should evaluate if physical security and accountability over the employee awards ( i.e. gift cards) could be enhanced. The HRPC – North Budget & Administrative Manager indicated that a more secure location that still provides timely accessibility may be on top of the safe in the Assistant Director of Payroll’s office.

Response: Some changes to the distribution and accountability of the gift cards have already been put in place. First, we have separated the cards by award type, i.e. Hats Off, and Years of Service/Retirement cards and Monthly raffle cards, are kept on two separate black boxes (no longer a see-through plastic box). All boxes are kept in the safe until the employees come to the office to pick up the gift cards. We have also limited the hours for Hats Off distribution from 2:00 p.m. to 4:00 p.m. Distribution hours from 9:00 a.m. to 11:00 a.m. will be in place, once the HRPC-North is fully staffed (mid-August). In addition, the daily count of all gift cards is no longer being done. Instead, when the supply of gift cards is first received, they are placed in bundles of 40. Only one bundle of 40 gift cards is kept in a black box for daily distribution, and the rest of the bundled gift cards are kept inside a sealed manila envelope with the number of bundled cards written in the outside along with the signature of a staff member and a manager/supervisor. Once the supply of gift cards kept in the black box is depleted, a new bundle is taken from the manila envelope, after proper verification of the contents. The rest of the cards are then placed in a new sealed manila envelope with the signatures of the individuals who accounted for the cards and the date.

1. Performance Evaluations

For departments serviced by HRPC – North, processes for monitoring and tracking compliance with employees' performance evaluations were reviewed. UC Personnel Policies for Staff Members (PPSM) - 23: Performance Management, states that “the performance of each employee shall be appraised at least annually in writing by the employee's immediate supervisor, or more frequently in accordance with local procedures.”

A sample of 18 employee files from the Administrative Vice Chancellor, Campus Human Resources, Corporate Financial Services, Early Care and Education, Housing (except Office of Residential Life) & Hospitality Services, Information Technology Services, Insurance and Risk Management, Real Estate, and Special Projects departments were reviewed on June 27, 2016, noting that the most recent evaluations included in the personnel files were current and covered either fiscal years 2014-15 or 2015-16.

Although performance evaluations were completed for the sample employees reviewed, only performance evaluations that are submitted to HRPC – North are tracked. Some general announcements are made at staff meetings and email reminders are sent to departments reminding them that performance evaluations are due.  However, there is not a formal follow-up process to ensure that all employees' performance evaluations are completed and submitted to HRPC – North.  As of March 2016, approximately 800 of the 1,982 employees serviced by HRPC – North had submitted their performance evaluations to HRPC – North. A&AS was unable to determine the amount of evaluations that were past due since some departments have different deadlines for annual evaluations due to workload constraints.

Recommendation: Department management should ensure that annual performance evaluations are prepared in a timely manner and in accordance with University policy. In addition, HRPC – North should follow up with departments that are not in compliance with University policies and procedures to ensure that performance evaluations are submitted for all employees.

Response: The HRPC-North will continue to send reminders to client departments to reiterate the importance of the compliance with this annual requirement. We’d like to note that our client departments have different evaluation review cycles, so not all the performance evaluations from client departments are received at the same time (i.e. end of fiscal year, between June and July). The HRPC-North Director will contact the client departments to establish internal deadlines based on their own evaluation cycles so that appropriate follow up is done, in the event the evaluations are not received by the established deadline. The departmental deadline will be included in the SLAs that will be reviewed with clients by March, 2017.

1. Merit Increases

The processes for ensuring that merit increases are authorized were discussed with HRPC – North management. Guidelines, eligibility criteria, and instructions are e-mailed to department directors for their recommendation and authorization of merit increases for their employees. Proposed merit increases must also be reviewed by the HRPC – North Director to ensure appropriate approval at the organizational level.

There were no significant control weaknesses noted in this area.

New Hires and Separations

1. New Hire Processing

A&AS’ review of a judgmental sample of 10 employees hired by departments that are serviced by the HRPC – North between July 1, 2015 - March 1, 2016, showed that all employees in the sample had been hired in accordance with University policy and procedures, their new hire PANs were reviewed by the applicable mandatory reviewers, and background checks were properly requested and obtained.

There were no significant control weaknesses noted in this area.

1. Separation Processing

Departments are responsible for providing timely notification to HRPC – North of upcoming employee separations by completing and submitting a Personnel Action Form (PAF). HRPC – North management interviewed indicated that departments do provide timely notification. HRPC – North staff are responsible for processing the separation. A judgmental sample of 10 employees who separated between July 1, 2015, and March 1, 2016, was reviewed, noting that notification and processing of the separations was timely, and was approved by authorized department personnel.

There were no significant control weaknesses noted in this area.

Payroll Processing

1. Timecard Approvals

Departmental controls over timekeeping were examined for adequacy. A majority of departments and employees serviced by HRPC – North utilize the Kronos system for timekeeping.  A&AS focused the review on the electronic approval of timecards.  A&AS reviewed Kronos timecards for a sample biweekly pay period of April 24, 2016, - May 7, 2016, noting that of the 2,537 employee timecards in Kronos only 459 (18%) were electronically approved by a supervisor. Some departments such as H&HS and Early Care & Education print out the Kronos timecards for supervisor review and approval; however, these timecards are retained in the departments and HRPC – North will process the timecards without records indicating if the time has been approved or not.  Even for departments where supervisors are suppose to approve timecards electronically in Kronos, if approval is not done by the payroll deadline, the time is still processed and paid.

Recommendation: HRPC – North should work with the departments they service where supervisors are still printing out and approving paper timecards to transition to electronic approvals in Kronos. All timecards should be approved by appropriate department supervisors before payroll is processed and paid.

Response: The HRPC-North Director and Assistant Director will work with the clients as the SLAs are being reviewed and signed, to determine if the department wishes to allow their staff to do an electronic approval of the timecards or if changes to the timekeeper are necessary to have the approval done by the staff at the timekeeper. This will be done by March, 2017.

1. Payroll Processing

Discussions were held with the HRPC – North Assistant Director of Payroll to determine the procedures and controls are in place to ensure the accuracy and completeness of payroll transactions. The HRPC – North Assistant Director of Payroll is responsible for reviewing timesheets and payroll data for accuracy and completeness and processing the biweekly and monthly payroll for the departments serviced by HRPC – North. A payroll processing log is utilized to track all the required reviews and tasks for each pay period.

There were no significant control weaknesses noted in this area.

1. Payroll Checks

The check distribution process was reviewed to ensure that payroll checks were properly safeguarded and distributed in accordance with University policies and procedures. Payroll checks are secured in a safe, which is restricted to authorized HRPC – North staff. HRPC – North maintains a list of personnel authorized to pickup payroll checks for their departments and verifies their identity before releasing the checks to them. Usually the same personnel pickup checks thus HRPC – North staff know they are authorized. However, if it they are not familiar with the person they will ask for photo identification. Personnel must also sign a log to acknowledge they picked up the checks and HRPC – North staff initial the log as confirmation.

A judgmental sample of two departments (Lake Arrowhead and University Apartments) were selected to determine if payroll checks are safeguarded after being brought back to the departments and there are controls to ensure that the checks are distributed to the employees.  The HRPC – North and the two sampled departments have created procedures to help ensure that payroll checks are safeguarded and distributed in accordance with University policy.

There were no significant control weaknesses noted in this area.

Training

HRPC – North, department heads, and Campus Human Resources (CHR) monitor to ensure that all employees complete campus required compliance training classes including training on Sexual Violence and Sexual Harassment, Cybersecurity, and Ethics.  A&AS discussed with HRPC – North management how completion of these training classes is tracked and monitored and reviewed examples of email notifications and training status reports. The requirement for employees to complete these training classes are recorded in the on-line UC Learning Management System (LMS), which will send an email notification to the employee indicating when they need to complete the training.  When employees complete the training, the employee's training record is updated in LMS.  An email reminder is also sent to employees who have not completed the training one month before the deadline.  CHR sends a report of the total number of employees who have not completed the required training to the department heads, who then contact HRPC – North to request the specific names of the employees in their department. HRPC – North indicated there are some limitations with the current LMS that makes the process for creating reports to monitor completion of training classes tedious; the UC Office of the President is reviewing ways to make the learning management system more responsive and flexible for reporting purposes.

There were no significant control weaknesses noted in this area.

Physical Security

A&AS performed a walk-through of HRPC – North to evaluate the physical security controls in place to ensure that access is restricted to authorized personnel. Access to HRPC – North is controlled by an electronic key card system, which requires personnel to swipe their BruinCard.  Access is limited to authorized HRPC – North staff, the Housing & Hospitality Services Assistant Vice Chancellor, and key card system administrators.  Offices for HRPC management are also equipped with an electronic key card lock with access further limited to certain HRPC management personnel.  Custodians clean HRPC – North during work hours when employees are present.  There are security cameras that monitor the front office area, the fingerprint room, the access to personnel files and the safe. Panic alarms have been installed in key areas in HRPC -North, which will notify University of California Police Department (UCPD) in the event of an emergency.

There were no significant control weaknesses noted in this area.

Information Systems

Two separate systems are utilized in conducting criminal background checks for job candidates.  A system from an outside vendor called Biometrics4ALL is used to take and submit fingerprints to the California Department of Justice (DOJ) and Federal Bureau of Investigations (FBI).  The criminal background check results are made available on a separate on-line system that is managed by the DOJ.

*Biometrics4ALL Fingerprinting System*

The HRPC – North Customer Service Supervisor oversees the fingerprinting process for criminal background checks and is responsible for user access to the fingerprinting system.

1. User Authentication

The adequacies of controls over user authentication to the Biometrics4ALL fingerprinting system were assessed through discussions with management and observation. A valid user name and password is required to access the Biometrics4ALL fingerprinting system; however, the system does not require strong passwords and accounts are not locked out after consecutive invalid login attempts.  Users set their own passwords and it is unclear if strong passwords are set.  If a user forgets their password, they have an option to answer a security question, which they selected and set themselves.  Some of the security questions and answers set could be easily guessed by others and included favorite color with a four character answer, what is my ID with a 9 digit answer which appears to be the user’s University ID number, and other answers with only three or four characters.  Providing the correct answer to the security question also provides the user access into the fingerprinting system. UCLA Policy 401, "Minimum Security Standards for Network Devices," requires that a password must contain six characters or more; and contain characters from at least two of the following three character classes: alphabetic, numeric, and punctuation or other characters.

Recommendation: HRPC – North management should ensure that passwords and security questions and answers set by users are strong and not easily guessable. Passwords should meet the UCLA minimum complexity password standards. Management should also check if accounts can be set to lockout after consecutive invalid login attempts.

Response: The HRPC-North Director will work with the H&HS IT Director to explore the possibility of incorporating single sign-on to the front end of the Biometrics4All application. This follow up will be done by the beginning of the Winter quarter 2017. For the time being, separate user names and passwords have already been created for each user to ensure that their activity while using the system is properly tracked.

1. Separated Employees

A&AS reviewed the user accounts with access to the Biometrics4ALL fingerprinting system, which included 14 users, to verify if they are current HRPC – North employees. Five former HRPC – North employees had active accounts on the Biometrics4ALL fingerprinting system.  The HRPC – North Customer Service Supervisor indicated access for these former employees was removed the same day after it was identified during the audit on April 13, 2016.

Recommendation: HRPC – North management should ensure that separated employees’ access to the Biometrics4ALL fingerprinting system is removed in a timely manner.

Response: A System Administrator has been established (Fran Knight) to ensure that the access for terminated staff is removed on their last day of employment.

1. Access Based on Job Responsibilities

The following three security groups are available to the Biometrics4ALL fingerprinting system:

1. Administrator – full access to the system including the ability to take and submit fingerprints, reprints when the original prints are not legible, and user access administration
2. User – allows users to take and submit fingerprints
3. Record Sealer – no access assigned to this group

As of April 13, 2016, there were 14 users with access to the Biometrics4ALL fingerprinting system and all users have been granted Administrator level access.  A&AS reviewed and discussed with the HRPC – North Customer Service Supervisor if access for all 14 users has been appropriately restricted based on their job responsibilities. The Customer Service Supervisor indicated that in order to do reprints, Administrator access is required; however, this also provides the users full access to the system, which they do not require.

Recommendation: HRPC – North management should determine if the security groups could be revised to provide users the access they need to perform their job duties, while also restricting access to administrator level functions.

Response: There are only two security levels needed: Administrator and User. As indicated in the above response under (B), a system Administrator has been identified and the staff who has successfully obtained a Roller Printer Certification will be set up as User, with an individual user name and password.

1. Certified Fingerprint Rollers

The California DOJ requires individuals who are responsible for fingerprinting to be certified fingerprint rollers. A&AS judgmentally sampled five users and requested copies of their certificate to roll fingerprints, noting they are all certified fingerprint rollers.

There were no significant control weaknesses noted in this area.

*DOJ Criminal Background Check Results System*

1. Shared User Account

Criminal background check results are made available on a DOJ managed website.  The adequacy of controls over user authentication to the website was assessed through discussions with management and observation. A valid user name and password assigned by the DOJ is required to access the website and results. However, there is only one user account, which is shared by the Assistant Director of HR, Senior HR Analyst, and the Director of HRPC – North.

Recommendation: HRPC – North management should determine if individual user accounts to the DOJ Criminal Background Check Results System can be established.

Response: HRPC-North management contacted the DOJ to inquiry about establishing additional login names and passwords for all CORI cleared staff in the Center. DOJ’s response was that only one user account and password can be established per organization.

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