

UC MERCED AUDIT AND ADVISORY SERVICES

December 1, 2016

To: Michael Reese – Vice Chancellor for Business and Administrative Services
Subject: Staff Hiring Practices – Review of New Procedures
Ref: Report No. M17A008

Internal Audit has completed an audit of staff hiring practices. During this audit we reviewed that recently implemented procedures have been appropriately designed and are effectively managing risks identified during previous hiring audits. With the conclusions reached during this audit, we have cleared outstanding management corrective actions related to staff hiring.

We appreciate the help we received from Human Resources staff during this audit.



Todd Kucker
Director of Internal Audit

Attachment

cc Interim Senior Vice President Lohse
Chancellor Leland
Associate Chancellor Putney
Associate Vice Chancellor Powell
Manager Turner
UC Merced Campus Audit Committee

**UNIVERSITY OF CALIFORNIA, MERCED
AUDIT AND ADVISORY SERVICES**

Staff Hiring Practices – Review of New Procedures
Report No. M17A008

December 1, 2016

Work completed by:
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Management Summary

During 2014 and 2015, Campus Leadership requested that Internal Audit review staff recruitments for compliance with UC policies and Department of Labor requirements. During the resulting audits, Internal Audit concluded that UC Merced's staff hiring practices needed improvement as hiring documentation did not satisfactorily prove that hiring practices were unbiased and non-discriminatory.

To improve the hiring process for qualified candidates, new staff hiring procedures were implemented by Human Resources in July 2016 which were designed to set up control points and improve recruitment documentation. Internal Audit has completed an audit to determine whether the recently implemented staff hiring procedures are adequately preventing discriminatory hiring practices.

From our audit of recent recruitments, we concluded that the new hiring procedures have been well-designed and are operating effectively. The certification of the disposition process now provides better evidence that selected candidates were qualified based upon the advertised job requirements. Sufficient evidence was reviewed to verify that the management corrective actions from the 2014 and 2015 audits have been completed.

We identified that documentation could be more consistently completed and maintained. This issue is further discussed in the report.

Audit Objectives and Scope

Internal Audit has completed a follow up audit of UC Merced's staff hiring practices. The purpose of this audit was to determine whether Human Resources' new staff hiring practices are managing risks related to discriminatory hiring practices. The audit objectives were:

- To determine whether processes and controls are being completed as they were designed by Human Resources;
- To review that new staff hiring processes result in proper screening of job candidates; and,
- To determine whether management corrective actions from the 2014 and 2015 Hiring Audits were completed.

To fulfill the audit objectives, we reviewed fifteen staff recruitments begun after July 1, 2016 and completed by October 31, 2016. We reviewed the documentation related to these recruitments maintained by the Talent Acquisition Recruiters in Human Resources to verify that new staff hiring processes are consistently followed.

Background

During 2014 and 2015, Internal Audit completed three audits related to staff hiring practices at UC Merced. The objectives of these audits were to verify that hiring procedures comply with UC policies and campus procedures; and, to determine whether controls are in place to avoid

conflicts of interest during the hiring process. During these audits, Internal Audit concluded that UC Merced's staff hiring practices needed improvement as hiring documentation did not satisfactorily prove that the hiring practices were unbiased and non-discriminatory. The main issue identified during these audits related to the inconsistency in determining whether a candidate was qualified or not qualified based upon the advertised job requirements and the candidate's education and work experience.

Fair and non-discriminatory hiring practices are critical to UC Merced. Policies and procedures are in place so all employees or applicants for employment shall be treated equitably and fairly in all matters related to employment. As UC Merced receives substantial funding from federal grants and contracts, the campus's hiring practices could be audited by the Office of Federal Contract Compliance Program (OFCCP).

To standardize staff hiring practices and to better manage risks, Human Resources implemented new processes during July 2016. The Chancellor's Extended Cabinet approved the following steps designed to improve controls and increase Human Resources involvement during staff hiring:

1. **Recruitment Request** – After the position has been approved by the Budget Office, departments request recruitment for the position from Human Resources.
2. **Intake Interview** – A Talent Acquisition Recruiter in Human Resources will provide consultation to the Hiring Manager and/or Hiring Committee Chair.
3. **Disposition Pool Certification** – The process for identifying qualified candidates must be “certified” by the assigned Human Resources recruiter before the department contacts candidates for interviews.
4. **Offer Letter Approval** – All offer letters or contracts extended must be approved by Human Resources before any actual offer is extended to any candidate.

These new staff hiring processes were designed to provide control points during recruitments. The disposition process will be reviewed for before candidates are interviewed. All recruitment documentation related to the recruitment will be gathered and reviewed by Human Resources before an offer letter will be approved and sent to the selected candidate. To enforce these new procedures, Human Resources has put together checklists for gathering necessary information and an internal review process to review that procedures have been completed.

Conclusion

From our audit of the recent recruitments, we concluded that the new hiring procedures have been well-designed and are operating effectively. The certification of the disposition process now provides better evidence that selected candidates were qualified based upon the advertised job requirements. Based upon our review of recruitments, outstanding management corrective actions from the 2014 and 2015 audits have been cleared. We did identify one area for improvement related to the consistency of maintaining documentation.

Observation and Management Corrective Action

Documentation should be reviewed internally to verify that controls were effective

During recruitments, Talent Acquisition Recruiters in Human Resources put together and maintain documentation to prove that the new hiring procedures were followed. The documentation includes screenshots to show that the disposition was certified, interview committee notes, and approved offer letters.

During our review of recruitment documentation, we noted some inconsistency in how the different recruiters were maintaining documentation. Based upon their internal checklists, recruiters were not always maintaining all required documentation. Also, different checklists were utilized by different recruiters.

We also noted that the documentation maintained sometimes did not fully prove that the controls had managed the related risks. For example, while the screenshots showed that the disposition process was completed, it could be improved by showing that the recruiter followed up to verify that only candidates deemed to be qualified were interviewed. Also, some files included an offer letter signed by the hired individual, but there was no evidence to show that Human Resources had reviewed and approved the offer letter before it was sent.

The risk is that departments could still engage in discriminatory hiring practices by ignoring the certified pool, interviewing an unqualified candidate, and then sending out an unapproved offer letter. The control points are designed to prevent this.

Human Resources has set up an internal review process to review recruitment documentation for compliance with the new hiring procedures. We recommend that the standard documentation expectations be established which provide evidence that the control points were enforced.

Management Corrective Action

Human Resources has already set up an internal process to review recruitment documentation. The reviewer will evaluate that consistent checklists and documentation is maintained by all of the recruiters. Human Resources will establish expectations for documentation related to certifying disposition and offer letters to prove that procedures were followed. This action plan will be completed by January 31, 2017.