

UCLA AUDIT & ADVISORY SERVICES



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September 14, 2011

VICE CHANCELLOR STEVEN A. OLSEN
SENIOR VICE PRESIDENT/CHIEF COMPLIANCE AND AUDIT OFFICER SHERYL VACCA:

Re: Central Ticket Office Personnel/Payroll Audit Report #11-2201

Enclosed is the audit report covering our review of Central Ticket Office (CTO) personnel/payroll activities. The primary purpose of the review was to ensure that CTO's organizational structure and controls, and the related systems and procedures, are conducive to accomplishing its business objectives surrounding personnel/payroll processing. The secondary purpose of the review was to evaluate the adequacy and efficiency of internal controls. Where applicable, compliance with University policies and procedures were assessed. Our objective was, and is, to assist management in maintaining adequate control over personnel/payroll activities. The scope of the audit focused on the following:

- Hiring and separation procedures
- Timekeeping and reporting

Based on the results of the work performed within the scope of the audit, the organizational structure and control procedures of CTO are conducive to accomplishing its business objectives. However, management should strengthen controls over the hiring and separation of student employees and personnel files.

In accordance with our follow-up policy, a review to assess the implementation of our recommendations will be conducted approximately three months from the date of this letter.

Please feel free to contact us if we can be of further assistance.

A handwritten signature in black ink, appearing to read "Edwin D. Pierce".

Edwin D. Pierce, CPA, CFE
Director

Enclosure

cc: J. Powazek

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CENTRAL TICKET OFFICE PERSONNEL/PAYROLL
AUDIT REPORT #11-2201

CENTRAL TICKET OFFICE PERSONNEL/PAYROLL
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Background

In accordance with campus administration's audit plan, Audit & Advisory Services has completed a review of Central Ticket Office (CTO) personnel/payroll activities. CTO provides ticket management for events presented by UCLA Athletics, the Department of Theater, the Department of Music, UCLA Live, the Department of World Arts and Cultures, and the Reprise Theatre Company, as well as Farmers Classic tennis tournaments, and special events like the Jazz Reggae Festival. In addition to these events, CTO also provides services to the campus community and the general public through its Ticketmaster sales outlet, and by selling bus passes, movie, and amusement park tickets. CTO strives to be recognized as the premier ticketing office in the University environment by providing top quality customer and client service, excellent ticket management for events, and positive developmental opportunities for its employees.

CTO employs approximately 14 career, 36 casual/restricted, and 67 limited appointment personnel for a total of 117 employees. The vast majority of CTO employees are students. Although CTO is responsible for all personnel/payroll activities related to student employees, CTO receives centralized services and support from the Northwest Campus Service Center (Service Center) for its career employees. CTO uses the Kronos Time and Attendance System (Kronos), which is an automated system designed to collect and process employee hours, generate reports, and integrate data with other systems. A Director, who reports to the Administrative Vice Chancellor, oversees the operation.

Purpose and Scope

The primary purpose of the review was to ensure that CTO's organizational structure and controls, and the related systems and procedures, are conducive to accomplishing

its business objectives surrounding personnel/payroll processing. The secondary purpose of the review was to evaluate the adequacy and efficiency of the internal controls. Where applicable, compliance with University policies and procedures were assessed. Our objective was, and is, to assist management in maintaining adequate control over personnel/payroll activities. The scope of the audit focused on the following:

- Hiring and separation procedures
- Timekeeping and reporting

The review was performed in accordance with generally accepted auditing standards and included tests of records, interviews, and other auditing procedures considered necessary to complete the audit.

Summary Opinion

Based on the results of the work performed within the scope of the audit, the organizational structure and control procedures of CTO are conducive to accomplishing its business objectives. However, management should strengthen controls over the hiring and separation of student employees and personnel files.

The results of the audit and corresponding recommendations follow.

Audit Results and Recommendations

Hiring and Separation Procedures

Hiring procedures and practices were reviewed to determine if new employees were properly recruited and approved. Departmental controls and procedures were evaluated to determine that employees were separated appropriately and timely, and systems access and University property were promptly revoked. In addition, controls over personnel files were assessed to determine if employee information was adequately safeguarded.

- A. Controls over the hiring and separation of student employees need enhancement. The Office Coordinator was solely responsible for interviewing, selecting, and processing new student hires, in addition to processing all student separations. Although there were mandatory reviewers at the department and the Service Center, Personnel Action Forms (PAFs) were not consistently prepared nor forwarded to the ultimate approvers. Therefore, the review of these transactions may not have been adequate. Control activities like segregation of duties and proper authorization help ensure that new employees are properly recruited and approved, and that employees are separated correctly and timely.

Recommendation: Management should ensure that PAFs are consistently prepared, approved, and forwarded to mandatory reviewers. Overall, management should work with the Service Center to enhance controls over the hiring and separation of student employees.

Response: Agree. As we are in the process of changing our Service Center to the General Services Service Center, we are reviewing our controls over the hiring and separation of student employees with the General Services Service Center and we will enhance controls over the hiring and separation of student employees.

- B. Inactive employees were not separated from the personnel/payroll system in a timely manner. The Personnel Status Report (report) as of May 31, 2011, showed that 52 CTO employees had no payroll activity during the last four months, but were still designated as active employees. The vast majority of those listed on the report were students who only work at football games during the fall season. These individuals were not separated from the personnel/payroll system because they are anticipated to return for the next football season. CTO stated that, as an internal practice, students are separated after 12 to 15 months of inactivity. However, of the employees appearing on the report, one had no pay activity since December 2007, and another two have been inactive since September and November 2009.

Recommendation: Management should work with the Service Center to establish a mutually acceptable timeframe for preserving the active status of a seasonal employee. In addition, management should develop a mechanism to periodically review the status of all employees and separate those who have had no payroll activity within the defined timeframe.

Response: Agree. Management wants to keep the internal practice of separating students after 12 – 15 months of inactivity to keep from hiring and separating seasonal employees who annually work football games in the fall. Management will work with the Service Center to ensure this is a mutually acceptable timeframe and upon agreement we will ensure we adhere to this timeframe. Two of the three employees mentioned above have been separated. The other employee is active again and worked for us in the last month.

- C. Controls over personnel files warrant improvement. Although all files were stored in a secure area with access limited to authorized employees, the Office Coordinator had access to her own personnel file.

Recommendation: Management should ensure that employees do not have access to their own personnel file. The Office Coordinator's file should be maintained by the Director, and not be readily accessible by the employee.

Response: Management agrees employees should not have access to their own personnel file. These files have been moved to the General Services Service Center for secure storage.

Timekeeping and Reporting

A sample of five Punch Detail Reports (PDRs) reflecting pay period end dates in the month of March 2011 was judgmentally selected for review. In order to achieve a broad sample, the selections were based on each employee's appointment type and Description of Service (DOS) codes applied for the pay period. The selected PDRs were examined to verify that: 1) Each time report was certified by the employee and supervisor; 2) Kronos hours were supported and accurately carried forward to the DOS codes for the central payroll system; 3) Manual Kronos entries were documented and approved; 4) Overtime was documented, approved, and paid in accordance with the relevant labor agreement; and 5) If applicable, corrections were properly supported and approved. In addition, the General Ledger reconciliations for the months of February, March, and April 2011 were evaluated to determine if payroll reconciliations were performed properly and timely.

There were no significant control weaknesses found in this area.

Payroll He01, He04