

UCLA AUDIT & ADVISORY SERVICES



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April 19, 2013

SENIOR VICE PRESIDENT/CHIEF COMPLIANCE AND AUDIT OFFICER SHERYL VACCA
EXECUTIVE VICE CHANCELLOR & PROVOST SCOTT WAUGH:

Re: Housing & Hospitality Services – On-Campus Housing Personnel and Payroll Audit Report #13-2235

Enclosed is the audit report covering our review of On-Campus Housing's (OCH) personnel and payroll business practices. The primary purpose of the review was to ensure that OCH's structure and controls, and the related systems and procedures surrounding the personnel and payroll functions are conducive to accomplishing its business objectives. The secondary purpose was to evaluate the adequacy and efficiency of internal controls with regard to personnel and payroll processing. Our objective was to assist management in maintaining adequate control over the personnel and payroll operations within OCH.

The scope of the review focused on the following:

- Accountability Structure
- New Hire and Separation
- Timekeeping and Reporting
- Documentation and Approvals
- Payroll Check Distribution
- Compliance

Based on the results of the work performed within the scope of the audit, the organizational structure and control procedures of Rooms Operations and the Maintenance Shop are generally conducive to accomplishing OCH's business objectives surrounding personnel and payroll activities. However, management should strengthen controls in the following areas:

New Hire and Separation

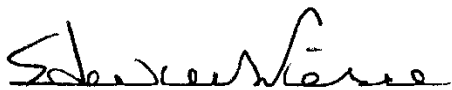
- All University property should be collected and system access should be revoked upon separation of an employee.
- Updating personnel and payroll procedures for the Maintenance Shop to reflect current business practices. Also, develop and document written personnel and payroll procedures for Rooms Operations.

Payroll Check Distribution

- Ensuring the Maintenance Shop employees document receipt of their earnings statement by signing the check log.

The corrective actions implemented by management satisfactorily address the audit concerns and recommendations contained in the report. In accordance with our follow-up policy, a review to assess the implementation of our recommendations will be conducted approximately four months from the date of this letter.

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



Edwin D. Pierce, CPA, CFE
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Enclosure

cc: J. Powazek

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HOUSING & HOSPITALITY SERVICES
ON-CAMPUS HOUSING PERSONNEL AND PAYROLL REVIEW
AUDIT REPORT #13-2235

HOUSING & HOSPITALITY SERVICES
ON-CAMPUS HOUSING PERSONNEL AND PAYROLL REVIEW
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Background

In accordance with the Administration fiscal year 2012-13 audit plan, Audit & Advisory Services (A&AS) conducted an audit of On-Campus Housing's (OCH) Rooms Operations' and Maintenance Shop's personnel and payroll business practices. OCH, which is part of Housing & Hospitality Services, provides a variety of housing options for UCLA's students, including four high-rise residence halls, five residential plazas and two residential suites.

Rooms Operations and Maintenance are two units within the Rooms Division of OCH. Each unit has its own set of operating policies and procedures, as well as organizational hierarchy, but both units ultimately report to the Director of Rooms Division. Rooms Operations employees provide a variety of services, including front desk, housekeeping, security, and administrative support to the residence halls; Maintenance Shop employees maintain the ground facilities. For fiscal year 2011-2012, Rooms Operations and Maintenance Shop compensation expenses totaled \$16.1 million for approximately 437 Full Time Equivalents (FTEs).

	<u>Compensation</u>	<u>FTEs</u>
Rooms Operations	\$8.6M	334
Maintenance Shop	\$7.5M	103
TOTAL	\$16.1M	437

HR & Payroll Center Administration - North (Center) provides OCH with human resources support, personnel and payroll services, and assistance with basic employee relations and benefit matters. The Center also administers Kronos, an automated timekeeping and attendance system, used by OCH, which collects and processes

employee hours, generates reports, and integrates payroll data with other campus systems.

Purpose and Scope

The primary purpose of the review was to ensure that OCH's structure and controls, and the related systems and procedures surrounding the personnel and payroll functions were conducive to accomplishing its business objectives. The secondary purpose is to evaluate the adequacy and efficiency of internal controls with regards to personnel and payroll processing. Our objective was to assist management in maintaining adequate control over the personnel and payroll operations within OCH.

The scope of our engagement focused on the following activities:

- Accountability Structure
- New Hire and Separation
- Timekeeping and Reporting
- Documentation and Approvals
- Payroll Check Distribution
- Compliance

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included tests and other procedures considered necessary in achieving the purpose. Interviews were conducted with OCH management and staff. Personnel and payroll supporting documentation was also examined.

Summary Opinion

Based on the results of the work performed within the scope of the audit, the organizational structure and control procedures of Rooms Operations and the

Maintenance Shop are generally conducive to accomplishing OCH's business objectives surrounding personnel and payroll activities. However, management should strengthen controls in the following areas:

New Hire and Separation

- All University property should be collected and system access should be revoked upon separation of an employee.
- Updating personnel and payroll procedures for the Maintenance Shop to reflect current business practices. Also, develop and document written personnel and payroll procedures for Rooms Operations.

Payroll Check Distribution

- Ensuring the Maintenance Shop employees document receipt of their earnings statement by signing the check log.

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

Audit Results and Recommendations

Accountability Structure

The financial accountability structure in the Distributed Administrative Computing Security System (DACSS) in effect for November 2012 was evaluated for effective delegation of authority for personnel and payroll transactions, and compliance with the UCLA Financial Policy on “Principles of Financial Accountability.” Specifically, the accountability structure was examined to ensure user access is consistent with current responsibilities and the organizational structure, and that the personnel and payroll Post Authorization Notifications (PANs) were properly reviewed.

There were no significant control weaknesses noted in this area.

New Hire and Separation

The personnel files of ten recently hired employees (five for the Rooms Operations and five for the Maintenance Shop) were reviewed to verify that new employees were properly hired, supported by an approved Personnel Action Form (PAF), and that backgrounds checks were performed in a timely manner. Evidence that new employees were adequately trained was also examined. Additionally, the personnel files of nine recently separated employees (four for the Rooms Division and five for the Maintenance Shop) were reviewed to verify timely and accurate processing. A&AS staff also assessed controls to ensure that employees return University property upon separation and that system access is promptly revoked.

A. Separating Employees

Rooms Operations does not document University property collected or systems access revoked upon separation of an employee.

Recommendation: Management should develop and maintain a list for each employee to identify the employee's information system access and the University property that should be returned upon separation. In addition, management should ensure that all University property collected and access to information systems revoked upon separation are documented.

Response: Agreed. Maintenance Shop will continue using their checklist moving forward as they have for all employee separations. Effective immediately a separation checklist for Rooms Operations will be generated for each employee separation. The checklist will be filed in the employee notes at separation completion.

B. Personnel and Payroll Procedures

Discussion revealed that personnel and payroll procedures for the Maintenance Shop need to be updated to ensure accuracy. Also, Rooms Operations does not have established payroll and personnel written procedures. Without written or accurate procedures, management may be unable to ensure continuation of workflow should a critical position become vacant.

Recommendation: Management should ensure that personnel and payroll procedures are established for the Rooms Division. Procedures for both areas should be reviewed regularly to ensure they are up to date to reflect current business practices.

Response: Agreed. Room Operations has established procedures using the Maintenance departments existing written procedures while ensuring accuracy is up to date. Both Rooms Division and Maintenance will review the document quarterly to ensure information is up to date with current practices and procedures.

Timekeeping and Reporting

Departmental controls over timekeeping were examined for adequacy. For a sample of ten employees, Kronos Punch Detail Reports (PDRs) for pay period ending July 21, 2012 were reviewed to verify that timekeeping data and leave balances are accurately reported and reconciled to the Employee Database (EDB). Overtime was also reviewed to ensure payments were in accordance with relevant labor agreements. In addition, a sample of payroll reconciliations was reviewed to verify that management performs a complete and accurate reconciliation in accordance with Business and Finance Bulletin IA-101 Internal Control Standards.

There were no significant control weaknesses noted in this area.

Documentation and Approvals

A sample of employee personnel files was reviewed to ensure that PAFs were adequately completed and approved. In addition, employee performance evaluations were reviewed to ensure they were completed in a timely manner.

There were no significant control weaknesses noted in this area.

Payroll Check Distribution

OCH procedures for storage and distribution of paychecks and earnings statements were reviewed for adequacy and compliance with University policies. Check logs were also examined to ensure proper documentation and accountability.

A review of the Maintenance Shop check distribution log found that direct deposit earnings statements are not distributed in accordance with University Policy. Direct deposit earnings statements are released to employee's without obtaining their signature.

Recommendation: In accordance with Business and Finance Bulletin “Internal Control Standards: Departmental Payrolls IA-101, management should ensure that employee’s document receipt of their earnings statement by signing the check log.

Response: Agreed. Effective immediately the Maintenance Shop will require a signature in the check distribution log for all earnings statements in accordance with University Policy.

Compliance

A report obtained from Insurance and Risk Management (IRM) for fiscal year 2011-12 was reviewed to ensure timely claims reporting for work related injuries.

There were no significant control weaknesses noted in this area.

He01 Payroll Processing