Payroll Audit

Audit Report #15-13

March 15, 2016

The University of Texas at El Paso
Institutional Audit Office

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March 15, 2016

Dr. Diana Natalicio
President, University of Texas at El Paso
Administration Building, Suite 500
El Paso, Texas 79968

Dear Dr. Natalicio:

The Office of Auditing and Consulting Services has completed a limited- scope audit of the Payroll Office. During the audit, we identified opportunities for improvement and offered the corresponding recommendations in the audit report. The recommendations are intended to assist the department in strengthening controls and help ensure that the University's mission, goals and objectives are achieved.

We appreciate the cooperation and assistance provided by the Payroll Office staff during our audit.

Sincerely,

Lori Wertz

Lori Wertz
Chief Audit Executive

Report Distribution:

University of Texas at El Paso

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EXECUTIVE SUMMARY

The Office of Auditing and Consulting Services has completed a limited scope audit of the Payroll Office. The objectives of the audit were to determine whether payroll operations ensure the security, reliability and accuracy of payroll files and to determine compliance with state, federal, and university policies and procedures, specifically:

- regular and off-cycle payroll processing,
- payroll reporting and account reconciliations, and
- payroll information technology control processes.

Based on audit procedures applied and testing results, we have concluded the Payroll Office processes can be enhanced with the recommendations noted in this report.

- Off-cycle checks should be limited so as not to create additional workloads and inefficiencies in payroll operations.
- Procedures should be developed to identify the causes, dollar amount, and status of overpayments.
- Auditors identified an error in Family Medical Leave Act (FMLA) earnings reported for one employee. Auditors verified the employee did not receive any monetary benefit from the error and the amount was reversed.
- Payroll should monitor trends in payroll data to help identify errors such as student overtime and other benefits.
- Support documentation should be maintained and reconciled to the supplemental payroll to ensure payments are properly classified.
- Procedures should be developed to review overtime forms. These procedures should include recalculations and review of proper departmental approvals.
- Payroll should comply with UT System Policy 142.1 and University policies for the reconciliation of accounts for which they have signature authority.
- Procedures should be established to secure and protect employee payroll information to ensure only authorized personnel have access to the Payroll Office records.

BACKGROUND

The University of Texas at El Paso (UTEP) Payroll Office is a dedicated team of professionals committed to paying University employees timely and accurately, providing University employees with excellent customer service and to supporting University efforts to achieve its mission. The Payroll Office supports UTEP in providing leadership in payroll practices, while remaining compliant with all federal and state payroll regulations and being receptive and responsive to employee and departmental needs.

In May 2014, UTEP entered the first phase of PeopleSoft (PS) implementation, which proved to be challenging to all departments. A key measure of success was the completion of the first payroll run. The Audit team anticipated that the implementation of People Soft would create challenges for payroll control processes in place during the audit period. The audit was done to assess payroll operations and identify opportunities for enhancing Payroll Office effectiveness.

AUDIT OBJECTIVES

The overall audit objective was to assess whether current payroll operations ensure the security, reliability and accuracy of payroll files and to determine compliance with federal, state, and university policies and procedures.

The specific audit objectives were to determine whether:

- regular and off-cycle payroll was appropriate, correct, authorized, and supported,
- payroll tax Form 941 reporting was appropriate and supported,
- payroll reconciliations were timely and had management review, and
- IT controls were appropriate and adequately safeguarded payroll information.

SCOPE AND METHODOLOGY

Audit procedures included identifying payroll processing risks, performing tests to verify the effectiveness of internal controls, interviewing personnel and reviewing support documentation to verify compliance with federal and state regulations and university policies for the processing of payroll. The audit period included operations during the period May 1, 2014 through April 30, 2015.

Our audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

RANKING CRITERIA

All findings in this report are ranked based on an assessment of applicable qualitative, operational control and quantitative risk factors, as well as the probability of a negative outcome occurring if the risk is not adequately mitigated. The criteria for the rankings are as follows:

Priority - an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.

High – A finding identified by internal audit that is considered to have a medium to high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level.

Medium – A finding identified by internal audit that is considered to have a low to medium probability of adverse effects to the UT institution either as a whole or to a college/ school/unit level.

Low – A finding identified by internal audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/ school/unit level.

AUDIT RESULTS

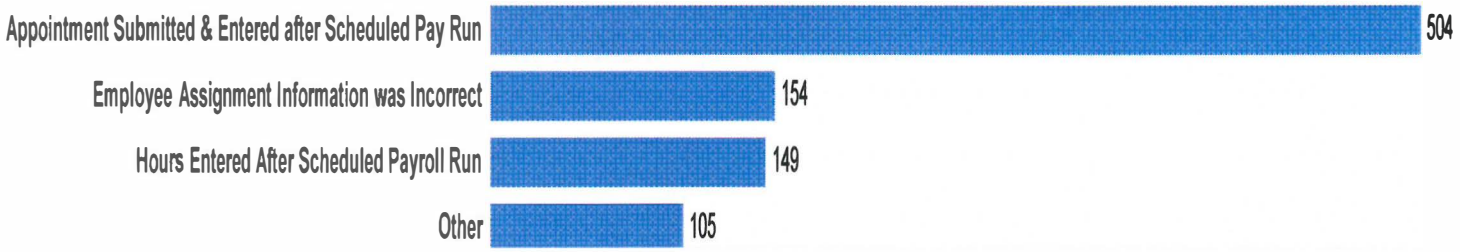
A. Off-Cycle Payroll

Off-cycle checks may be requested for earnings that were to be paid on a prior scheduled payroll run but were not processed due to incomplete records and/or appointments. A separate off-cycle run calendar has been created to anticipate the demand created by colleges/departments that continually request off-cycle checks. Data analytic techniques were applied for all off-cycle runs for the audit period May 1, 2014 to April 30, 2015 and identified off-cycle monitoring controls that require strengthening.

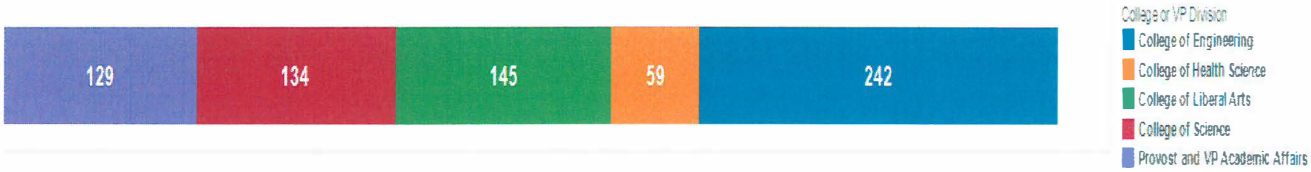
A1. Off-Cycle Payroll Checks

The Payroll Office started identifying the reasons for off-cycle runs starting in February 2015 due to the large number of requests; however, the information was not conveyed to deans, chairs, or directors.

During a five month period from February through June 2015, the Payroll Office issued 912 off-cycle checks. The Payroll Office has documented off-cycle runs by reason and college/department for the period. The charts below summarize the data by reason.



The chart below illustrates the top five colleges/departments with off-cycle check requests for the five month period that was provided by the Payroll Office.



Documentation for July and August was requested but was not provided at the time of the report.

Delayed entry of new hires or changes in employee records in PS is a major cause for off-cycle payroll runs. This creates additional risks for the University, such as individuals working without an official appointment, background check and insurance coverage. These issues are the result of college/department staff inefficiencies in creating and processing appointment actions in PS.

OACS had previously reported on these same off-cycle payroll observations, along with recommendations to senior management, in the PS Business Process Initiative management letter dated July 31, 2013. See Appendix A: PeopleSoft Business Process Initiative-Summary Report.

Recommendation:

Payroll off-cycle runs should be limited so as to not create additional workloads and inefficiencies in payroll operations. Trainings can also be developed and targeted to colleges/department who are regularly requesting off-cycle payroll checks. Criteria for processing off-cycle requests should be strictly adhered to and communicated to all college and department timekeepers along with deans, chairs and directors.

Level: This finding is considered **High** due to the potential level of risk from lack of compliance with policies and procedures.

Management Response:

Agree. Off-cycle processing is currently being tracked by the payroll department on a monthly basis, and reported to VPBA office. The monthly report provides a breakdown of requests by College/VP/Division, and reason for the request. With the approval of University Executive Management, off-cycle processing will be limited to once per week. Criteria for processing an off-cycle payment is currently available on the payroll website at http://admin.utep.edu/Default.aspx?tabid=57995.

During the month of January the HR/Budget/Payroll group conducted presentations with all colleges and divisions. The training covered the topic of off cycle requests and processing requirements and/or restrictions.

Responsible Party: **Andrea Reveles, Payroll Manager**

Implementation Date: **September 1, 2016**

A.2 Overpayments

Overpayments in employee pay are corrected during off-cycle runs and identified through departmental account reconciliations and/or notification by the employee or department. Situations contributing to overpayments include, but are not limited to, delays in processing assignment changes for employees, separation from the university, data entry errors and changes in work schedule. After the department or employee notifies the Payroll Office of an overpayment, a correction is processed in PS and recovery of the overpayment is initiated.

The dollar amount and causes of overpayments for the audit period were requested, however, the Payroll Office does not track this information. At the request of Internal Audit, the Payroll Office created a series of queries to try to identify all overpayments since the implementation of PS. Based on these queries, the Payroll Office has corrected a total of $958,699 in overpayments, of which $954,310 has been recovered. Support documentation was not provided for these amounts; consequently; auditors were not able to validate the overpayment information.

Recommendation:

The Payroll Office should develop procedures to identify the causes, dollar amount, and the status of overpayments. A process should be developed to record and track all payroll overpayment exceptions, and this information should be communicated to deans, chairs and directors with recurring overpayments. Trainings can be developed and targeted to college/department timekeepers requiring additional support in processing employee appointment actions in PS.

Level: This finding is considered **High** due to the potential level of risk from lack of monitoring and support documentation.

Management Response:

Agree. The Payroll Office has developed queries to identify overpayments. The queries will provide breakdowns of overpayment occurrences by College/VP/Division, and a description detailing reasons for overpayments. A summary will be provided to the VPBA Office on a monthly basis.

Responsible Party: **Andrea Reveles, Payroll Manager**

Implementation Date: **March 15, 2016**

A.3 Payroll FMLA Error

During the testing of overpayment corrections, OACS identified an error in Family Medical Leave Act (FMLA) reported earnings in the amount of $1,124,644.23 for one employee. Auditors verified the employee did not receive any monetary benefit from the error and the amount was reversed.

The Payroll Office directed us to Human Resources (HR) for additional information. We were told that the FMLA reported amount may have been caused by a PS system error and there was no impact on the employee FMLA records.

OACS reached out for assistance from the UTEP Director of PS for an explanation. After consultation with UT Share Service Desk Support, they indicated that it was a data entry error and not a PS system error.

B. Payroll

The payroll cycle includes the functions involved in paying employees and determining their proper classification compensation.

B.1 Casual Labor

Per Human Resources, the casual labor job code is to be used for jobs that are performed for a short and specific time period. It should only be used for persons who do not require an appointment and are paid on a timesheet, as it is a non-benefit status position.

Flat rate payments cannot be processed in PS; consequently, after the conversion, the casual labor job code was used to pay individuals requiring a flat rate by converting the payment into "hours" that could be entered into a timesheet. Several individuals assigned the casual labor job code already had active appointments in PS. This resulted in these individuals receiving vacation and sick leave benefits, retirement contributions, and overtime.

One specific case reviewed included the following issues:

- A student held two positions in different departments, one of which was casual labor, without the proper approvals.
- The combination of hours entered into PS by the different departments resulted in the student receiving overtime payments on two separate occasions.
- Because the hours were entered by different departments, neither department was aware of the fact that the student received overtime, therefore, there was no prior approval for the overtime payment.

The amounts were not material; however, monitoring controls did not identify errors occurring in payroll processing of casual labor.

Recommendation:

The Payroll Office needs to monitor trends in payroll data to help identify anomalies in payroll information such as students receiving overtime and other benefits.

Level: This finding is considered **Medium** due to the potential level of risk from lack of monitoring.

Management Response:

Agree. Monitoring of employee hours and entry of time is done at department level. The current set up in PeopleSoft allows submission of hours by the departmental timekeepers, and there is currently no method for electronic approval/confirmation by supervisors. Once a timesheet is submitted, it feeds directly into payroll. We anticipate that PeopleSoft Time & Labor Work Flow will improve this process. This is currently scheduled for roll-out in September 2016. The HR department can identify hourly employees who hold more than one position simultaneously and can alert departments on the front end. The Payroll Department can run subsequent queries as a secondary check to identify hourly employee's receiving overtime. The payroll department will notify the department of occurrence and recommend corrective action.

Responsible Party: **Andrea Reveles, Payroll Manager**

Implementation Date: **September 30, 2016**

B.2 Supplemental Pay

Additional pay/supplements can be requested for employees requiring compensation in addition to their regular pay. These payments may be due to overloads, bonuses, awards, or temporary duties.

A sample of seven supplemental payments totaling $60,481.92 was tested for authorization, accuracy and support documentation. For three ($57,093) of seven payments tested, no support documentation was provided. According to the Payroll Office, these payments were processed soon after the conversion to PS and represent pay for classes taught during the summer of 2014. These payments were incorrectly classified as supplemental pay. OACS verified the individuals taught classes in the summer 2014; however, no documentation could be found to substantiate the accuracy of the payments. The remaining four payments were tested without exception.

An additional sample of five payments processed after November 1, 2014 were tested without exception.

Recommendation:

Support documentation should be maintained and reconciled to the supplemental payroll to ensure payments are properly classified.

Level: This finding is considered **Medium** due to the potential level of risk from lack of approvals and supporting documentation.

Management Response:

Agree. Appropriate documentation is now being maintained. An electronic form has to be submitted and vetted by the department, Human Resources, and Budget before it is entered into the system for payment. All additional pay is now being given to the Interim VPBA or Comptroller for notification and approval.

Responsible Party: **Anthony Turrietta, Associate VP for Business Affairs and Comptroller.**

Implementation Date: **March 15, 2016**

B.3 Overtime Pay

According to the Human Resources Overtime Compensatory Time and Fair Labor Standards Act (FLSA):

> *It is the University's intent to schedule work activities during the standard 40 hour workweek. However, in order to meet customer and business needs, it may be necessary for both exempt and non-exempt employees to work in excess of those hours. When this is necessary, Directors/Managers will provide as much notice as possible to the employee's required to work. For non-exempt employees, only hours worked will be used in the calculation of FLSA Overtime/Compensatory Time. Holidays, vacation time, sick time, severe weather days will not be used in the calculation of FLSA Overtime/Compensatory Time.*

Vacation and sick time were used in the calculation of FLSA overtime/compensatory time for the Police Department, resulting in an overpayment to one individual. Although the overpayment was immaterial, based on the test work performed, there is an indication that a review process in not in place to ensure the hours entered into PS agree to the documentation provided by the department. Per the Payroll Office, there is no review of support documentation provided by the departments for accuracy, authorization or appropriateness.

During audit procedures performed for the Police Department overtime pay, we identified the following issues:

- overtime pay lacked documentation of prior approval,
- a supervisor approved timesheets for his own overtime pay, and
- the overtime rate was used for both regular and overtime hours worked.

Recommendation:

Payroll should develop procedures to review overtime forms. These procedures should include re-calculations and review of proper departmental approvals.

Level: This finding is considered **Medium** due to the potential level of risk from lack of approvals and accuracy in reporting.

Management Response:

Agree that there is a need for improvement; however, the monitoring of Overtime is done at the department level. The current set up in PeopleSoft allows submission of hours by the departmental timekeepers, and overtime entry is an extension of this responsibility. The Payroll Office cannot verify accuracy of calculations when the time is being kept through outside resources. For example, Facilities Services uses KRONOS, a separate time keeping system, and the Police Department has their own method for tracking. Some of the overtime paid occurs when an employee from one area, such as Police, works in another area outside of normal work hours, like in Special Events. Cost center approvers in both areas will more than likely not be aware at the time of approval if an employee will be paid overtime. Also, since various systems are outside of PeopleSoft, the Payroll Office cannot verify or validate accuracy. Payroll can look to run queries subsequent to processing to provide for review of the involved departments, or even Human Resources to ensure the overtime was warranted and in compliance with policies.

Responsible Party: **Andrea Reveles, Payroll Manager**

Implementation Date: **December 31, 2016**

C. Payroll Tax Reporting and Account Reconciliations

Payroll and payroll tax withholdings should be reviewed to ensure the propriety of amounts, compliance with applicable governmental and university requirements, timely remittance to the appropriate entity and timely reconciliation to the general ledger accounts.

C1. Tax Reporting

The Payroll Office has established tax reporting procedures that comply with legal reporting requirements (e.g., tax returns, statutory regulations, etc.) and the appropriate support documentation for the amounts being reported.

A review of the first quarter payroll tax form 941 was performed to determine if the amounts were accurate and supported.

No exceptions were noted.

C.2 Payroll Account Reconciliations

As per the University cost center review Policy:

> *In accordance with UTS 142.1, all cost center/project administrators are required to review the cost center/project for which they have signature authority on a monthly basis.*
>
> *Both the reviewer and approver must sign off on the reconciliation. Documentation should be retained and kept available to serve as back up for charges made on departmental accounts.*
>
> *The cost center/project administrator or designee should review on a one-to-one basis, identify all reconciling items and follow up to ensure correctness within 60 days or before fiscal year end of 08/31, whichever is sooner.*

The Payroll Office did not document the monthly signature review of payroll cost centers as directed by University review procedures and UTS Policy 142.1. In addition, without dated signature review documented, the timeliness of correcting reconciling items could not be determined.

Recommendation:

Payroll cost center reconciliation procedures should include the documentation of the signature review to ensure that the institution's funds are expended and recorded appropriately in accordance with federal, state and university policies, as well as to verify that reconciling items are corrected in a timely manner.

Level: This finding is considered Medium due to the potential level of risk from lack of approvals and supporting documentation.

Management Response:

Agree. The Payroll Office has developed queries to allow for reconciliation of applicable cost centers and sub-ledgers on a monthly basis. All source documentation has signature approval and is in compliance with University procedures.

Responsible Party: **Andrea Reveles, Payroll Manager**

Implementation Date: **December 31, 2016**

D. Payroll IT Security Controls

Security controls protect payroll data by controlling access to payroll records.

D.1 Payroll Data Security

A review of payroll folders on the shared drive was conducted to determine whether payroll information is secured.

We identified four former employees who still had access to the Payroll Folder in the shared drive, three of which were undergraduate student workers. Additionally, monitoring of user access to the shared drive was not being performed. After notification by the IT Auditor, the Payroll Manager notified the Technology Implementation Manager (TIM) to have the access removed. This corrective action was verified by the IT Auditor.

Recommendation:

User's access should be reviewed and either removed or changed immediately, both after the employee leaves the University or transfers to a different department, and a record of the request sent to the TIM should be kept for audit purposes.

Additionally, a scheduled periodic review and monitoring of user access to the Payroll folder should be performed by the Payroll Manager.

Level: This finding is considered **Medium** due to the potential level of risk from lack of monitoring of access to data.

Management Response:

Agree. This is being monitored. The Payroll Manager has scheduled a monthly appointment to review access with the Technology Implementation Manager. We will continue to monitor and remove any user access as necessary.

Responsible Party: **Andrea Reveles, Payroll Manager**

Implementation Date: **March 15, 2016**

D.2 Payroll System Change Management

Change management policies and procedures were reviewed and tested to determine that the IT control procedures for monitoring changes to the payroll system were appropriate, and changes to payroll system could not be performed without the proper authorization.

No exceptions were noted.

D.3 Segregation of Duties for Critical Operations

OACS documented the duties for each payroll position. Additionally, employee assignments for critical operations were identified and reviewed to ensure that appropriate segregation of duties were in place and that at least two individuals were assigned responsibility for each duty.

No exceptions were noted.

CONCLUSION

Based on the results of audit procedures performed, we conclude the Payroll Office needs to strengthen the internal controls for processing payroll.

We wish to thank the management and staff of the Payroll Office for their assistance and cooperation provided throughout the audit.

APPENDIX A: PEOPLE SOFT INITIATIVE SUMMARY REPORT

THE UNIVERSITY OF TEXAS AT EL PASO

Office of Auditing and
Consulting Services

DATE: July 31, 2013

TO: Executive Committee Members

FROM: William A. Peters, Director

SUBJECT: PeopleSoft Business Process Initiative – Summary Report

The Office of Auditing and Consulting Services (OACS) was requested to assist the UTEP PeopleSoft project manager to facilitate the mapping of eight business processes identified by the PeopleSoft implementation team. The eight business processes are:

- Travel Management
- Payroll Exceptions
- Expense Management
- Employee On-Boarding
- Family and Medical Leave Act
- Employee Off-boarding
- Recruitment
- Position Management

In support of a successful PeopleSoft implementation, the OACS team will assist in the identification of opportunities for process improvements and will provide recommendations to improve control weaknesses. This is not an audit and will be considered a special request consultation for reporting purposes.

Business Process Mapping

The PeopleSoft implementation team identified a cross-functional process owner (process owner) for each of the eight business processes selected. The process owners were responsible for identifying Campus Subject Matter Experts (SMEs) within the process from the beginning to end, regardless of how many departments are involved during its progression. The process owners recruited SMEs throughout the campus to assist in the mapping of the processes. Using Visio flowcharting software, a flowchart was developed for each of the processes in order to depict how the processes will function after March 1, 2014, when the PeopleSoft software is implemented.

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The following is a summary of all eight PeopleSoft Business Process Recommendation Reports that have been issued:

Observations	**Summaries**
1. Travel Management	**Recommendations**
Travel Authorizations – *No changes can be made at any time after travel authorization is approved.*	(1) As changes to approved travel authorizations cannot be done in PeopleSoft, an alternate process should be developed to address these transactions. (2) Determine and communicate cut off dates for travel authorizations in DEFINE for travel which will take place after August 31, 2013. (3) Determine the process for encumbering funds for travel after the prescribed cut-off date.
Travel Advances – *The link in PeopleSoft allowing for approval of travel advances by Accounts Payable is not functioning.*	In order to ensure that travel advances arc properly recorded and approved this functionality should be restored. The process owner should request a resolution date from the PeopleSoft implementation team in order to allow sufficient time for testing.
Travel Reimbursements – *In PeopleSoft the e-mail notification functionality has not been addressed. Additionally, The Travel Advance Reconciliation process has not been established for the post PeopleSoft implementation environment.*	(1) The e-mail notification capability should be developed to utilize the full functionality that PeopleSoft has to offer. (2) The Travel Advance Reconciliation process for the post-implementation environment should be documented and communicated prior to the implementation date, and training for Accounts Payable employees should be conducted as needed.

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2. Payroll Exceptions	**Recommendations**
Policy Decisions – *With the implementation of PeopleSoft, "emergency payroll checks" will be replaced with "on-demand" check processing which is a more involved and complex activity because it impacts Commitment Account Module and general ledger.* *If necessary, on demand checks will only be issued if the requested payment meets certain criteria. The on demand criteria has not been defined, documented and approved.*	(1) The process for on-demand payments should allow flexibility, but drive greater efficiency through limited use which will reduce manual work. Ideally, checks should be deferred to the next regularly scheduled payroll cycle. The criteria for exceptional cases in which on-demand checks may be issued should be clearly defined, documented and submitted for approvals. (2) The timing and frequency of all payroll cycles should be clearly established and documented. The cycles should be frequent enough to allow deferral of most 'on-demand' checks to the next regularly scheduled cycle, but not so frequent as to create additional workloads, reconciliations or other processing inefficiencies for the Payroll department. (3) The approved procedures should be communicated to all University employees and compliance with the procedures in the period immediately following the initial PeopleSoft implementation should be enforced.
Additional Payments (Awards & Supplemental Pay) – *With the initial PeopleSoft implementation, the Payroll Office and Budget Office will assume responsibility for reviewing and processing all supplemental payments.* *The payroll procedures for reviewing and approving supplemental payments have not been formalized, documented or submitted for approval.*	(1) Consideration should be given to standardizing a single request form for all forms of supplemental payments. All supplemental payments requested via the approved form should be routed through Human Resource Services to be reviewed for compliance with labor requirements prior to routing to Payroll. (2) The procedures for review, approval and processing of additional payments should be defined, documented and submitted for approval.

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Documenting and Monitoring of Payroll Exceptions – *Payroll exceptions and reasons for non-payment are currently not being monitored.* *Recurring exceptions with specific departments may indicate a need for training or improving inefficient procedures.*	(1) In order to minimize continued inconvenience to employees and to identify the sources of payroll processing errors, a process should be developed to record and track all payroll exceptions and their resolutions (such as defer to next cycle, process on-demand check, etc.). (2) The Payroll Office should notify departments with recurring payroll exceptions and offer additional training as needed to improve the efficiency of the payroll exceptions process for both departments across campus and the Payroll department.
Dependent Payroll Controls – *Currently, some paychecks are held (processed but not disbursed) as a control mechanism to ensure compliance with regulations and procedures in other areas. For example, in instances of Form I-9 non-compliance, checks are held and employees must personally visit the Payroll department to pick up their checks. This acts as an effective reminder and "downstream control" to improve Form I-9 compliance.* *Because PeopleSoft payroll processing does not allow the same functionality as legacy systems, this dependent control will not be effective when the initial PeopleSoft implementation is complete.*	(1) Alternate procedures to replace payroll dependent controls should be developed for the post go-live environment. The placement of these controls within the Payroll department or Payroll Module in PeopleSoft is not feasible; therefore, our recommendations for the Form I-9 controls are included in our report for the Employee Onboarding processes. (2) Subject matter experts in PeopleSoft functionality should continue to interact with cross-functional subject matter experts to identify other such dependent control functionality which may be lost upon the initial implementation of PeopleSoft.
3. Expense Management	**Recommendations**
Relocation Expenses – *After the initial implementation of PeopleSoft, all reimbursements directly to employees will still be easily tracked. Payments to third parties on behalf of*	Accounts Payable and Payroll personnel should collaborate to define and document the process for identifying, tracking and recording payments and reimbursement of moving expenses to third parties. The process should be approved and

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employees, however, will be processed through Miner Mall. Currently, there is no mechanism to easily link such payments to specific employees for tracking purposes.	communicated before the PeopleSoft implementation date.
Functionality of Returning, Aging and Deleting Vouchers – *With the initial implementation of PeopleSoft, vouchers should be returnable to originating departments by Accounts Payable personnel for deletion by the document creator; however, this functionality has not been validated by the UTEP PeopleSoft team as part of functional testing.* *Additionally, the Process Owner and SMEs for this business process have not seen the aging, escalation and deletion processes for this functionality in PeopleSoft; therefore, no evaluation nor testing of the process has been performed.*	Obtain commitment dates from the PeopleSoft development team regarding the completion of return, aging and deletion functionality. Ensure that there is sufficient time to test this functionality and communicate the results prior to the implementation date.
4. Employee Off-boarding	**Recommendations**
Access to University Systems – *Among the greatest risks to the University are the risks of unauthorized access to the University's physical property, networks and computer systems which may contain confidential or sensitive data.*	In instances of involuntary termination, immediate notification to IT Security is considered a best practice and should continue. After completing the initial PeopleSoft implementation, subject matter experts should explore whether the PeopleSoft functionality allows for automated notifications upon termination. This can help to ensure the removal of all access to University systems on a timely basis.
Return of University Assets – *There is no policy to withhold final checks from terminated employees who have not returned University equipment such as keys, laptops, and other physical property.*	The University should develop and communicate a policy for retention of a terminated employee's final paycheck if the employee has not cleared the separation process and returned all University property. Additionally, process owners and subject matter experts should explore the feasibility of withholding funds from terminated employees' vacation balances to compensate the University for services such as re-keying locks and replacing other University assets.

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5. Family Medical Leave Act (FMLA)	Recommendations
FMLA Tracking – *FMLA processing in PeopleSoft is not administered through ESS; however, in the initial implementation phase, designated Time Keepers will use ESS to track time off. Because a designated Time Keeper may not be physically present in all departments, communication protocols must be established. Particularly for individuals on intermittent FMLA, coordination between departments, Time Keepers and HRS personnel will be essential to appropriately track time used and eligible time remaining.*	The process owner, HRS, and Leave Administrators (future Time Keepers) should work cooperatively to be prepared for each of the following two contingencies: (1) *Limited ESS functionality is available with the initial PeopleSoft implementation*: Employees, department managers and designated Time Keepers will require training to ensure that detailed comments regarding intermittent FMLA are provided when recording sick time in ESS. The pre-implementation training should include: • appropriate manual forms, • authorized signatures, • flow of records, • communication methods, • maintenance and storage of records containing sensitive or confidential information, and • escalation of grievances and discrepancy-resolution protocols. (2) *The anticipated ESS functionality will not be available as planned*: A manual process should be defined, documented, and approved before the implementation date as a contingency plan. The manual process may use much of the same process flow as the limited functionality process, but may involve additional manual inputs or communication steps.
FMLA Spreadsheet – *Currently HRS records and monitors all employees' FMLA available hours using an MS Excel spreadsheet.*	(1) After the initial implementation and stabilization of PeopleSoft, UTEP process owners and subject matter experts should work cooperatively with other UT System institutions to continue to explore a more robust

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	documented authorization by the legal department and the president's office.
Functionality of E-mail Notifications – *The functionality for emailing a notification of employee identification (EMPLID) for new hires in PeopleSoft has not been validated by the UTEP PeopleSoft team as part of functional testing.*	Obtain a commitment date from the PeopleSoft development team in order to schedule sufficient time to test this functionality prior to the initial implementation date.
Replace of Online Account Management System (OAMS) – *Currently, OAMS enables the activation of Miner Gold Cards and parking permits which allow physical and system access to new hires. The subject matter experts have been advised that the OAMS will be replaced by PeopleSoft; however, they are unaware of how PeopleSoft will interface with existing systems and what impact it will have on existing processes.*	Engage with appropriate SMEs to obtain an understanding of the PeopleSoft functionality which will replace OAMS. If necessary, perform a review of the interfaces and related processes. For any process changes identified, the SMEs should develop, document and approve revised processes, and train the appropriate staff members and departments. [1] [1] The team's understanding of this process may have changed since the publication of the original report.
7. Recruitment	**Recommendations**
Application Monitoring and Screening – *The initial implementation of PeopleSoft will which introduce key changes in system functionality and could expose the University to additional risk in the recruiting and hiring process.* *The risk of non-compliance with federal and state Equal Employment Opportunity regulations and University policies may be increased.* *PeopleSoft will also offer functionality which can help to mitigate these risks, if used to its fullest extent.*	To reduce the risk of non-compliance with federal and state regulations and University policies, the functionality provided by PeopleSoft should be used to the fullest extent possible. A robust training of hiring managers should address the following: • The automatic screening process in PeopleSoft should be encouraged as the "preferred practice." • If manual screening is desired, HRS should perform the initial screening. • While hiring managers will be able to monitor applicants throughout the posting period, no screening of resumes should occur until after the job posting is closed.
Interviews and Documentation – *Hiring and interviewing procedures require documentation to adequately support the*	To reduce the risk of non-compliance with federal and state regulations and University policies, encourage hiring managers to take advantage of the functionality provided by

hiring process and to ensure compliance with federal and state regulations and University policies. With the initial implementation of PeopleSoft, as well as in the current environment, hiring managers can see applicant contact information at the time of application submission. It is possible to contact applicants and schedule interviews without retaining documentation. *The initial implementation of PeopleSoft will provide the functionality for scheduling applicant interviews and maintaining documentation of the candidates interviewed and their qualifications. This functionality can greatly enhance the University's ability to document compliance with federal and state regulations and University policies.*	PeopleSoft. • During the training period prior to the initial implementation of PeopleSoft, include robust training on PeopleSoft functionality and require hiring managers to follow the defined PeopleSoft hiring procedures. • Individuals who are not trained during the initial training period should be required to receive training on PeopleSoft hiring procedures prior to acting in a role of hiring manager. • If hiring managers fail to follow the defined PeopleSoft hiring procedures, such as the interview scheduling feature, they should be required to submit detailed documentation to HRS at the time that a candidate is recommended for hire. A control should be established to ensure complete, accurate and timely completion of the hiring process including submission of all required documentation.
Overrule of Human Resources – *Currently, when HRS does not approve a recommended candidate, the non-approval may be overruled in certain circumstances. The PeopleSoft system will not eliminate this practice; however, the new system will enable HRS to keep more complete records throughout the hiring process.*	To assist the University in ensuring compliance with federal and state regulations, Equal Employment Opportunity regulations and University policies, a formal process for requesting overrides should be established. • Criteria for overruling the initial judgment by HRS professionals should be clearly documented and approved. • Requests for overrules should be documented and retained on file. • Request to overrule HRS denials should be reviewed by the Office of Legal Affairs, Office of Institutional Compliance and the Office of the President, if appropriate. • After the initial implementation of PeopleSoft, SMEs, including HRS

	personnel, should conduct an assessment of the full capability and functionality of PeopleSoft to examine ways to enhance the decision criteria within the system to help reduce or eliminate the need for overrules.
Criminal Background Checks – *Currently, all prospective employees receive an offer letter, with a start date, that is contingent upon passing a criminal background check. Often, new employees begin working prior to the completion of the criminal background check. This creates risk to the University and inefficiency in the hiring and on-boarding processes.*	Create and issue a contingent offer letter without a start date requesting authorization for the criminal background check and evidence of eligibility to work in the United States (Form I9). After these documents have been received and processed, a final approved offer letter with a start date should be issued to the prospective employee.
8. Position Management	**Recommendations**
Notification to Originating Departments – *Currently, e-mail notifications are sent to hiring departments to inform them that a requested new position has been approved by the Human Resources Advisory Committee (HRAC). As a result, in the current environment, hiring managers can begin the recruiting process as soon as the notification of approval is received. On occasion, candidates have been offered jobs and provided with start dates before the position funding had been verified by the budget office. This can create situations in which the hiring departments, working with the budget office, must identify alternate sources of funding.* *The functionality in PeopleSoft for notifying hiring department that a position request has been approved has not been validated by the UTEP PeopleSoft team as part of functional testing. This notification is important, because hiring managers must input the source of funding for the new position, and the funding process must be completed and approved before a position can be posted.*	The business process owner and SMEs should obtain a commitment date from the PeopleSoft development team in order to schedule sufficient time to test this functionality prior to the initial implementation date. Unlike the current environment, the notification should consist of two parts as follows. • Notification of position approval. This will signal that the funding portion of the process can begin. • Notification of position recruitment approval. This will signal that the hiring department can initiate the recruiting process (refer to D.1 in the Recruiting Process Mapping report issued on July 3, 2013). Once the functionality of the notifications has been tested, the functionality provided by PeopleSoft should be used to the fullest extent possible. [1] [1] The team's understanding of this process may have changed since the publication of the original report.

Pay Rate Changes –
At the time of this session, subject matter experts were on hand to map the pay change request, approval and set up process for individuals. Pay rate changes at the position level, however, affect all employees in a specific job code. For example, this would be an increase in the federal minimum wage, or an increase in the starting pay for all Accountant I positions. The process mapping for pay changes at the position level may be addressed at a later date as priorities dictate.

Position Audits –
The topic of periodic position audits was specifically included within the scope of this process mapping session; however, based on discussions with subject matter experts, the position audit process will continue to be performed outside of PeopleSoft. Due to the implementation of PeopleSoft, some forms may require modification, and some data sources may change, but not enough information regarding other specific changes in the process is available at this time.

Because this process is outside the scope of PeopleSoft process mapping, this topic has been deferred and will be rescheduled at a later date, as priorities dictate.

Reclassifications –
The reclassification process includes modifications of vacant positions or positions with an incumbent. Typically, such modifications are as a result of a position audit. An additional process mapping session for position reclassifications has been scheduled with the process owner.

Percent Time –
Changes in percent time can affect an individual person, a position, or both. The processes are different for each scenario, and a process mapping session focused on this topic should include Budget, Payroll, HRS, Benefits, and Absence Management. As of this date, that session has not been scheduled because the estimated time required would significantly exceed the initial time expectations for this session. A process mapping session for this topic should be scheduled as priorities dictate.

Overall PeopleSoft Process Mapping Observations –
This engagement has surfaced numerous issues and encouraged thoughtful consideration of policies, procedures, software configuration, training, and the overall development and refinement of mature process flows. Governance and follow-through are essential to realizing many of the benefits which subject matter experts believe are attainable.

We believe is it critically important to keep team members and subject matter experts appraised of the implementation team's progress, the decisions reached by the Executive Committee, and the rationale for those decisions.

In addition to the process mapping opportunities listed above, several more opportunities for process reviews and process mapping sessions have already been identified or may be identified

in the near future. It will be important to prioritize these opportunities in order to achieve the best overall outcomes given the project team's resource constraints.

Financial Processes –
The primary emphasis of this engagement focused on HCM modules and processes. No processes which are primarily financial in nature or part of the FMS modules were considered. As priorities dictate, consideration should be given to similar evaluations and mapping of processes such as asset management, vendor set-up and management, cash management and automated reconciliations, billing and receivables processes, etc.

Recommendations:

1. The PeopleSoft Executive Committee should establish formal oversight to ensure that recommendations are addressed on a priority basis and that implementation milestones are met. Action plans should be developed to track assigned responsible parties, intended actions and expected delivery dates. Upon completion of each assigned action, the status should be challenged and validated by other team members or independent parties.

2. Subject matter experts should be engaged in the decision-making process in which Executive Committee members determine preferred courses of action. For each decision considered, SMEs should have the opportunity to discuss consequences of each decision with the Executive Committee. Decisions which leave risks unmitigated should be clearly documented and vetted with other departments such as the Office of Institutional Compliance, the Office of Auditing and Consulting Services, University Legal Counsel and others as deemed appropriate.

3. The Executive Committee should establish a workgroup to develop decision criteria for project prioritization of future process mapping sessions. For example, project resources might be restricted to processes which are:
    - essentially dependent on or changed by PeopleSoft,
    - cross-functional in nature,
    - customer-facing or critical to continued operations,
    - necessary in order to enable cut-over to a new platform in mid-year, and
    - key processes which represent key risks to the University

4. In prioritizing the scheduling of process mapping or process improvement initiatives, the Executive Committee should consider other factors such as lead time to enact changes, availability of resources, subject matter expertise and other University priorities as well.

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CONCLUSION

This engagement has not been considered an audit. Consequently, a follow-up of the report recommendations will not be performed by OACS; however, corrective actions, identification of responsible parties and monitoring plans are advised for each of the recommendations submitted.

This summary contains original recommendations based on the collective understanding of the processes at the time the process mapping sessions were facilitated and completed. Some changes are likely to occur and are anticipated as the PeopleSoft Implementation project progresses.

Certain changes are already known. See footnotes [1] in the table above. In part, changes in the current understanding of some processes have been clarified as a result of these process mapping sessions and the additional research which was stimulated by the activities and questions surfaced by the team and the SMEs. Other changes are also likely to be stimulated by the ongoing progression of the PeopleSoft Implementation project itself.

As changes are identified, this document will not necessarily be updated to reflect the new knowledge or revised understanding of the processes. All original documentation including Visio diagrams and Microsoft Word documents will be turned over to the process owners for on-going maintenance and updates.

We wish to thank the cross-functional process owners, subject matter experts, project manager, transcriptionist, and other members of the PeopleSoft Implementation team for their invaluable inputs and willingness to work tirelessly on this initiative. We also wish to thank that UTEP PeopleSoft Executive Committee for their support throughout the engagement which made this project possible.

A survey of all participants will be conducted and the feedback and results will be presented to the Executive Committee separately.

cc: Mr. Richard Adauto III, Executive Vice President