

UT Southwestern Medical Center

The University of Texas Southwestern Medical Center HCM Payroll Processing Audit

Internal Audit Report 15:11

January 12, 2016

Table of Contents

I. Executive Summary	3
• Background/Scope and Objectives	3
• Conclusion	4
II. Detailed Observations and Action Plans Matrix	8
III. Appendices	18
• Appendix A – Risk Classifications and Definitions	18
• Appendix B – Key Opportunities for Areas Impacting Payroll	19

Executive Summary

Background

The University of Texas Southwestern Medical Center (UTSW) Payroll department is responsible for the processing of payroll transactions and payments and maintaining records for all UTSW employees. The Payroll department is staffed with eleven full-time positions. Monthly payroll run processing covers approximately 9,776 records for classified exempt and non-exempt, faculty, research fellow, and stipend pay groups with gross payroll of \$74.6 million. Bi-weekly processing averages 4,750 records for covering hospital and hourly pay with gross payroll of \$11.1 million.

The UTSW payroll process is complex and involves many manual and automated steps configured and developed by Business Administrative Systems (BAS), a part of Academic and Administrative Information Resources (AAIR). The core systems used to support the payroll function includes PeopleSoft Human Capital Management (HCM) System (April 2013 conversion) and the Kronos Timekeeping System. Kronos, which interfaces with HCM, has been used for several years to track work hours, vacation, and sick leave for Health System employees. In the fall of 2015, Kronos was implemented for University employees, at which time Kronos became the official timekeeping system campus-wide and payroll processing significantly changed.

Departments are responsible for manual entry into Kronos and for the verification of time card data. Human Resources Information Systems (HRIS) staff is responsible for inputting docking calculations and other error corrections. Departments are also responsible for processing various transactions such as submission of position changes for direct retroactive adjustments, employee status and terminations and establishing contracting and other types of persons working at UTSW. These transactions can also significantly affect the workload of Payroll, BAS and HRIS.

Objectives and Scope

This audit was risk based and scheduled as a part of our Fiscal Year 2015 Audit Plan. The audit focused primarily on payroll processing and HR transactions impacting employee payroll data. Recruitment and compensation will be reviewed separately. The audit scope covered September 2014 through July 2015. Audit procedures included: interviews of Payroll members and walkthroughs of the payroll process, review of policies and procedures and other documentation, analysis of HCM payroll data and records, and examination of supporting documentation.

The primary objectives of the audit were to assess the adequacy and effectiveness of controls over payroll processing. Specifically, to provide reasonable assurance of:

- Accuracy and completeness of cycle processing
- Authorization of Payroll adjustments and resolution of exceptions
- Adequate system controls and appropriateness of user access

Executive Summary

- Monitoring and oversight to mitigate overpayment and fraud risks
- Compliance with policies and regulations
- Tracking of overpayments and safeguarding of payroll information and records

We conducted our examination according to guidelines set forth by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Conclusion

Payroll processing for the Medical Center is complex due to the uniqueness of pay plans and work rules designed for the healthcare provider workforce, administrative, professional and faculty members, including classified exempt and non-exempt employees. The Payroll department has a shared responsibility with the departments of ensuring accuracy of payroll. There are also various other functions that have responsibilities that if not carried out correctly, impacts the accuracy and integrity of payroll data and employees receiving incorrect payments. (See illustration found in Appendix B)

- The departments, who contribute significantly to payroll data issues due to inaccurate or untimely processing of transactions such as timekeeping data, transactions for changes in job status, terminations and other transactions.
- Payroll processing staff, who are responsible for performing manual payroll processing steps and making timekeeping and payroll transaction adjustments.
- Human Resources (HR), which includes the Recruiting function, which is responsible for assisting departments in setting up new employees and classifications.
- The HRIS team, who is responsible for HCM data integrity and reporting. If employees are set up incorrectly and other HCM transactions are not processed correctly, the payroll classification and other data may be inaccurate.
- The IR function, BAS, has responsibility in coordination with Payroll management for generating reporting and PeopleSoft HCM system updates to ensure payroll is processed correctly and efficiently and departments have the reports needed for verifying employee status and payroll dollars. BAS also performs certain operational transactions for HR and Payroll users.
- HCM system programming and configuration impacts the payroll processing.

Overall, there are opportunities to strengthen administrative, processing, and monitoring controls as detailed in this report. There is one issue classified as high risk that relates to timely employee termination transaction processing.

Positives identified during the audit include:

- Dedication exhibited by Payroll staff ensuring payroll cycle processing is completed prior to deadlines.
- High degree of customer care in the prompt handling of department approved retroactive adjustment communications.

Executive Summary

- Proactive approach in procuring external services for processing employment tax, on-line wage statements, W-2 Form management, and wage garnishments.

The table below summarizes the observations and the respective disposition of these observations within the UT Southwestern internal audit risk definition and classification process. See Appendix A for Risk Rating Classifications and Definitions.

Priority (0)	High (1)	Medium (7)	Low (1)	Total (9)
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Opportunities for improvement rated as high and medium risks are summarized below:

- Enforce Timely Employee Status and Termination Transactions Processing** – Employee job status and termination transactions were not always processed timely increasing the likelihood of payroll overpayment/underpayment, untimely termination of system access and incorrect extension of benefits.
- Implement Monitoring Reports to Ensure Payroll Data Anomalies and Errors are Identified** – The payroll process lacked monitoring reports to identify outliers or exception records for follow up with the departments.
- Review and Correct Vacation and Sick Leave Processing and Administrative Procedures** – Timing of processing for vacation and sick leave (VSL) and the absence of monitoring of VSL balances resulted in inaccurate data and payroll over/underpayments.
- Implement a Comprehensive Functional Access Matrix and a Periodic User Access Review Process** – Instances of inappropriate user access were noted. Periodic review of access permissions is not being performed.
- Improve Segregation of Duties Between BAS, Payroll and HR** – BAS personnel are involved in several HR and Payroll daily functions, creating a segregation of duties conflict.
- Improve Data Logic and Synchronization** – The HCM System does not have controls to prevent user input of inconsistent or conflicting data values.
- Improve Payroll Overpayment Reconciliation** – Adjusting entries to clear residual payroll overpayment balances are not being posted.
- Improve Pay Docking Correction Processing** – Incorrect processing of pay docking adjustments resulted in instances of payroll overpayment.

Management has implemented or is in the process of implementing corrective action plans. Management action plans include a cross-functional task force to address exception reporting and automated system controls. In addition, key Human Resources issues are being addressed with the formation of a shared services function, the HRIS Service Center, as a result of a study by an outside consulting firm. Management responses are presented in the Detailed Observations and Action Plans Matrix (Matrix) section of this report.

We would like to thank the Payroll department, the Office of Accounting, and other department management for their assistance and cooperation during this review.

Executive Summary

Sincerely,

A handwritten signature in blue ink, appearing to read 'Valla F. Wilson', is written over a light blue horizontal line.

Valla F. Wilson, Assistant Vice President for Internal Audit

Audit Team:

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Executive Summary

Cc: William Behrendt, PhD, Special Assistant to the Executive Vice President, Office of VP Human Resources
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John Warner, M.D., Vice President & Chief Executive Officer, University Hospitals

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: High ●</p> <p>1. Enforce Timely Employee Status and Termination Transactions Processing</p> <p>Department transactions for employment termination events and employee status and pay updates in HCM Workforce Management for transfers and promotions, separations, and pay or benefits changes were not always processed timely in HCM which increases the likelihood of payroll overpayment, incorrect extension of benefits, inappropriate system access, inefficiencies, and retroactive financial correction/restatement.</p> <p>Departments are responsible for processing transactions for employees in their area with HR providing oversight and support. There is a lack of monitoring reports to identify excessive delays in terminations or employee change transaction issues.</p> <p>In addition, system access within the Institution is tied to the employee's status within HCM increasing the risk of inappropriate access. Therefore, access to financial, clinical and other operational applications was active during this time increasing the risk of unauthorized or inappropriate activities.</p>	<p>HR management should implement the following:</p> <ol style="list-style-type: none"> 1. Reemphasize timely job status update and termination processing through targeted refresher training and campus-wide communication. Additionally, department reconciliation of monthly payroll expenses should be reemphasized to more efficiently highlight errors. 2. Introduce monitoring reports to alert department management of potential missing transactions such as employees with no reported time for a specified period. Also include reports such as: <ul style="list-style-type: none"> • Records with combined FTEs > 1 • Excessive regular workhours for a pay period. 3. HRIS has developed an "Active Employee Listing Report", which is distributed to department management monthly. Use of this report to identify terminated employees and contractors should be emphasized. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. We agree and will reemphasize timely job status update and termination processing through targeted refresher training and campus-wide communications. Department reconciliation of monthly payroll expenses will be reemphasized as part of the additional training. 2. Will be included in action plan for Observation 2. 3. The report is in production. Instructions are provided in the email body accompanying the report. In addition, a link has been added to the email to a site where managers will be required to certify the listings. <p><u>Action Plan Owners:</u></p> <ul style="list-style-type: none"> • Vice President and Chief HR Officer • Associate Vice President Academic and Administrative Information Resources • Director of PeopleSoft HCM Systems <p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> 1. February 29, 2016 2. Refer to Observation 2. 3. Completed

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium ●</p> <p>2. Implement Monitoring Reports to Ensure Payroll Data Anomalies and Errors are Identified</p> <p>Formal payroll monitoring reports and/or system alerts designed to enhance processing controls at the department and user levels were not yet implemented. The use of monitoring reports may have helped to identify payroll records with exception conditions noted during the course of the audit, which resulted in overpayments and overstatement of benefits.</p>	<ol style="list-style-type: none"> 1. Establish a task force to assess and identify reports already available and the reporting needs for Payroll, HRIS and departments to reduce payroll inaccuracies. Determine reporting specifications and establish owners for report data validation. 2. Develop an inventory of existing and needed reports with high, medium and low priorities. 3. Develop and implement monitoring reports and/or system alerts as identified by the task force. Identify procedures and responsibilities for use of reports and user data validation requirements including timing and reporting obligations by the departments. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. A task force will be formed including Payroll, AAIR and University Hospital management. Business owners and those responsible for validation and sign off on reports will be identified. 2. An Inventory of existing reports will be created and new high and medium priority reports will be identified and prioritized. The bundle of reports will address among other items, VSL calculation monitoring, employees with no reported time, data quality issues (such as missing SSN or address), excessive regular workhours, and erroneous conditions related to payroll. 3. The top 3 high priority reports will be developed with the assistance of the Assistant Vice President of Enterprise Data Services. Remaining reports will be developed at various dates based on priorities. Once reports are established, distribution and reporting requirements will be established. <p><u>Action Plan Owners:</u></p> <ul style="list-style-type: none"> • Director for Payroll and Payables • Director of PeopleSoft HCM Systems • HRIS Manager • Assistant Vice President Enterprise Data Services • Assistant Vice President, Accounting & Fiscal Services • Controller, University Hospitals

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		<u>Target Completion Dates:</u> 1. February 29, 2016 2. March 31, 2016 3. May 31, 2016
<p>Risk Rating: Medium ●</p> <p>3. Review and Correct Vacation & Sick Leave Processing and Administration Procedures</p> <p>Review of Vacation and Sick Leave (VSL) balances for a judgmental sample of employees revealed erroneous conditions resulting in payroll overpayment or underpayment. There were two root causes for the errors: accrual balance differences between HCM and actual VSL taken due to the timing of manually executed VSL processing and the absence of monitoring of VSL balances by department management when allowing VSL to be taken.</p> <p>The following conditions were identified and communicated to HR and AAIR for review and corrective actions:</p> <ul style="list-style-type: none"> • One active employee was paid vacation leave, but the VSL accrual balance was not reduced resulting in an overstated liability of 236 hours. • Five employees had negative accrued VSL and compensatory time balances ranging from 40 to 400, indicating possible overpayment or other issues. Further, negative accrual balances should not be possible. • Two employees were terminated and received a payout of their accrued VSL balance, but the balances were not reduced to zero. • Three employees were terminated but did not receive payout of their accrued balance. 	<ol style="list-style-type: none"> 1. Implement HCM programming to prevent negative VSL balances. 2. Automate HRIS processing to ensure VSL accrual balances are being zeroed out with termination payouts. 3. HRIS has developed a new report in the Kronos timekeeping system, the "Kronos Leave Accrual Report" that will include projected balances. This report should be sent to all department managers who should be advised of this new report and trained on its usage in performing monthly VSL monitoring and reconciliations. 4. Schedule processing of the VSL run with an automated job scheduler to ensure it is executed timely and consistently. If possible, schedule bi-weekly for all employees to ensure the most timely data reported in Kronos is reflected in HCM. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. We will investigate the negative balance occurrences to determine root cause and provide an action plan. 2. We will review options and implement automation of VSL processing to ensure VSL accrual balances are automatically zeroed out with termination payouts. 3. The report is in production and was communicated to campus January 4, 2016. 4. We will explore options to schedule the VSL run. <p><u>Action Plan Owners:</u></p> <ul style="list-style-type: none"> • Vice President and Chief HR Officer • Associate Vice President, Academic and Administrative Information Resources • HRIS Manager • Director of PeopleSoft HCM Systems <p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> 1. February 29, 2016 2. April 30, 2016 3. Completed 4. April 30, 2016

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium ●</p> <p>4. Implement a Comprehensive Functional Access Matrix and a Periodic User Access Review Process</p> <p>Testing of user access for critical Payroll functions revealed 33 of 42 users (79%) with inappropriate access to sensitive transactions including creating a paycheck. Specifically, the PeopleSoft payroll PAY_SHEET_LINE function enables a user to create and/or alter the dollar amount of any paycheck in the HCM System. Immediate steps were taken by Payroll management to restrict the permissions for these 33 users, reducing to 15 the number of users who can create/alter a paycheck.</p> <p>Further testing for actual transactions performed by any of these 33 users revealed all were performed by one employee in Administrative Systems and were confirmed to be appropriate per discussion with Administrative Systems management.</p>	<ol style="list-style-type: none"> 1. Design, document and work with the HCM Security Administrator to implement a comprehensive access matrix defining the minimum set of access permissions required for each Payroll function, taking into consideration appropriate functional segregation of duties. 2. Establish a periodic user access review process for the Payroll System. The first step is to obtain a list of all payroll users with each user's respective permissions and review in detail. This review should be documented at least once annually and documentation retrained. 3. To minimize ambiguity, AAIR should create a glossary of the meaning of each Payroll permission and its capabilities. The most powerful access permissions, such as PAY_SHEET_LINE, and any others, should be identified and carefully reviewed for each user. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. Accounting will work with Technical Services and the PS HCM team to develop more access categories for all HCM Payroll users, which includes multiple departments. These categories will be tied to positions and/or job function. 2. A periodic user access review process for Payroll will be implemented and conducted annually by the HCM team. 3. A glossary of Payroll permissions will be documented and referenced for the review in (2) above. <p><u>Action Plan Owners:</u></p> <ul style="list-style-type: none"> • Director of Payroll and Payables, • Director of Technical Services <p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> 1. Define roles by March 31, 2016, testing completed by June 30, 2016 implementation by August 31, 2016 2. August 31, 2016 3. March 31, 2016

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium ●</p> <p>5. Improve Segregation of Duties Between BAS, Payroll, and HR</p> <p>Business Administrative Systems (BAS) personnel are involved in several HR and Payroll daily functions, creating a segregation of duties conflict. In addition, due to the manual execution of these transactions by AAIR personnel, recording to the HCM files is inherently delayed, which may result in user frustration or surprise.</p> <p>BAS personnel are directly involved in the following transactions:</p> <ul style="list-style-type: none"> Processing direct retroactive adjustments Workers compensation Creating non-employee Persons of Interest (POI) IDs Correction of data errors in the HCM Time and Labor module resulting from the Kronos interface for the Academic and Research business unit. AAIR management indicated this is a significant effort. <p>Systems personnel should not perform daily operational tasks due to the deep system knowledge and level of access granted these individuals. Operational responsibilities create a segregation of duties conflict which could enable them to process unauthorized transactions. In addition, although some transactions are authorized through automated workflows, execution of these transactions relies on manual input by BAS personnel. Departments may not be aware of this delay in execution and recording of the data in the system.</p>	<ol style="list-style-type: none"> Reassign tasks performed by BAS personnel to Human Resources or Payroll staff wherever feasible and then reduce BAS personnel access to read only in the production HCM environment. Work with Payroll management to provide advanced training to at least one Payroll staff member and a backup user to be designated as "super users." Super users will provide internal HCM support for the department and ensure the tasks BAS currently performs can be reassigned successfully. Payroll management should consider designating one staff member to correct Time and Labor module errors for the Academic and Research Business Unit due to the significant effort required for this task. Processes should be standardized to be consistent with University Hospitals. Develop workflows to fully automate transaction execution where possible. For transactions that must be manually executed, develop a standard bundle of monitoring reports and user training to ensure users are aware of the inherent delays in processing to manage their expectations. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> BAS management agrees with the recommendations and will evaluate tasks performed by BAS personnel and work with Payroll management to re-assign them to Human Resources or Payroll staff. BAS will provide training to develop Payroll "super users" as designated by Payroll management. Payroll management is reviewing this recommendation. Budgetary constraints need to be reviewed since this could potentially create a new position. Workflows and automation will be evaluated and implemented where feasible. Monitoring reports will be included in Observation 2. User training will be provided for those transactions that cannot be automated. <p><u>Action Plan Owners:</u></p> <ul style="list-style-type: none"> Vice President and Chief HR Officer Assistant Vice President, Accounting and Fiscal Services Associate Vice President, Academic and Administrative Information Resources <p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> Evaluation by February 29, 2016 Implementation by April 30, 2016 March 31, 2016 February 29, 2016 Evaluation by February 29, 2016 Implementation by April 30, 2016

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium ●</p> <p>6. Improve Data Logic and Synchronization</p> <p>PeopleSoft Human Capital Management (HCM) programming does not have controls in place to prevent user input of inconsistent data or conflicting data values resulting in payroll overpayment and many of the errors identified in this report.</p>	<ol style="list-style-type: none"> 1. Develop preventive controls such as field edits and pop-up warning messages where feasible to alert users to inappropriate or conflicting input values. 2. Develop monitoring reports as detective controls for Payroll or user departments to detect erroneous conditions. 3. Develop additional user training materials such as UPKs and/or live user training classes to help reduce the occurrence of the types of errors in this report. 4. Create a PeopleSoft HCM user group that meets regularly dedicated to solving user issues. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. We agree with the recommendation and will evaluate and develop field edits and pop-up warning messages where feasible to alert users to inappropriate or conflicting input values. 2. Will be included in action plan for Observation 2. 3. Additional live user training is more effective than UPKs and will be conducted to help reduce errors. 4. A PeopleSoft HCM user group that dedicated to solving user issues will be formed and regular monthly meetings will be held as recommended. <p><u>Action Plan Owners:</u></p> <ul style="list-style-type: none"> • Director of PeopleSoft HCM Systems • HRIS Manager <p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> 1. Evaluation by February 29, 2016 Implementation by April 30, 2016 2. March 31, 2016 3. April 30, 2016 4. February 29, 2016

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium ●</p> <p>7. Improve Payroll Overpayment Reconciliation</p> <p>The overpayment reconciliation process is being performed monthly; however, adjusting entries to clear residual balances are not being posted. In addition, not all entries have been properly posted to the overpayment receivable account.</p> <p>The Payroll department is responsible for maintaining a database of overpayments and reconciling the general ledger balance.</p> <p>Review of the payroll overpayment receivable account (Due From Employee Payroll Corrections) reconciliation dated October 2015 indicated numerous reconciling items dated back to the year 2005. Many of these have been carried over from the prior OAS system.</p>	<ol style="list-style-type: none"> 1. Ensure all items on the overpayment account reconciliation are supported and adequately identify the employee involved. 2. Record entries to write off residual balances that cannot be supported. 3. Record entries to write off outdated residual balances attributable to terminated employees upon filing of a warrant hold. 4. Document the process for reconciliations. 	<p><u>Management Action Plans:</u> We will develop a new procedure to address overpayment, which will include roles and responsibilities of payroll and departments. This new procedure will address recommendations 1-4.</p> <p><u>Action Plan Owners:</u> Director for Payroll and Payables</p> <p><u>Target Completion Dates:</u> March 31, 2016</p>

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium ●</p> <p>8. Improve Pay Docking Correction Processing Incorrect processing of pay docking adjustments for four identified employees resulted in payroll overpayments totaling \$52,869.</p> <p>HCM is programmed to deduct pay or dock an employee's pay when there is an insufficient accrued vacation and sick leave balance (VSL) to cover the actual leave taken for a pay period.</p> <p>Departments are responsible for approving employees' leave requests and entering leave hours in the Kronos or HCM attendance reporting modules. Department Timekeepers are further responsible for monitoring pay docking and coordinating with Payroll and Human Resources (HR) ensuring necessary payroll and VSL correction.</p>	<p>Internal Audit communicated these instances to HR and Payroll management for correction.</p> <p>Management should further consider implementing the following:</p> <ol style="list-style-type: none"> 1. Develop standard operating procedures (SOPs) for processing payroll docking transactions. 2. Administer system timekeeping re-training to the departments. 3. Reemphasize overpayment awareness through campus-wide communications or focus meetings. 4. For special corrections, contact the employees affected for correction and repayment schedule. 5. Work with AAIR and the Kronos support team to limit the input value on the employees' timesheet entry form (e.g. no more than 36 hours per day or a lesser value). 	<p>Management Action Plans:</p> <ol style="list-style-type: none"> 1. Business owners and those responsible for validation to be identified to develop SOP for docking transactions. 2. Current Timekeeper training will be enhanced to highlight errors. 3. New SOPs will define process to communicate and report errors to appropriate parties. 4. For special corrections, the affected employees will be contacted prior to payroll processing for repayment unless they have terminated, in which case a warrant hold has been filed with the State of Texas. This has already been implemented but should be documented in SOP. 5. Will be included in the action plan for Observation 2 as part of our monitoring reporting bundle. Kronos already has limits so we are really looking for those that are already in HCM prior to the Kronos transition. <p>Action Plan Owners:</p> <ul style="list-style-type: none"> • Vice President and Chief HR Officer • Director of Employee Relations • Assistant Vice President for Accounting & Fiscal Services • Director of Payroll and Payables • Controller, University Hospitals

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		<p>Target Completion Dates:</p> <ol style="list-style-type: none"> 1. Form team to develop SOPs – January 31, 2016, SOPs to be communicated by March 31, 2016 2. January 31, 2016 3. Form team to develop SOPs – January 31, 2016, SOPs to be communicated by March 31, 2016 4. Form team to develop SOPs – January 31, 2016, SOPs to be communicated by March 31, 2016 5. Refer to Observation 2.

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Low ●</p> <p>9. Improve Accuracy of Information for New Hires Setup</p> <p>Improvements are needed in new hire setup procedures. Testing revealed numerous examples of persons without proper identification, which creates risks for the following:</p> <ul style="list-style-type: none"> • Improper payroll payments • Inadequate regulatory reporting • Denial of reimbursement for medical services • Existence of fictitious employees. <p>Examples of errors identified include:</p> <ul style="list-style-type: none"> • Persons with multiple Employee IDs based on duplicate names and/or Social Security Numbers (SSNs). • Persons with Social Security Numbers that are blank or X's. • Persons with blank addresses • New persons set up under former employee ID numbers. 	<ol style="list-style-type: none"> 1. Collaborate with AAIR to develop system programming that precludes or detects attempts to set up the same Person ID number to multiple active records. This should address duplicates across all departments. We understand AAIR and HR are currently working on a system customization that provides a hard stop to prevent duplicate employee numbers and encourage management to follow through with this customization. 2. Review and revise new hire setup procedures to ensure existing persons are fully researched prior to establishing new Employee IDs and ensure all identifiers such as SSNs and addresses are obtained and inputted to HCM. 3. Develop and implement monitoring reports to detect deficiencies in data quality for fields such as SSN and address. 4. Continue educating the HR Recruiting team of the potential for errors in the new employee setup process. 5. Create a task force to review Campus Solutions workflow for setting up student new hires, the interface to HCM and other data integrity issues. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. Programming to implement a hard stop when setting up duplicate persons was implemented into production December 9, 2015. 2. Recruitment procedures for the manage hire process have been revised. Reports will be developed with the assistance of the Assistant Vice President of Enterprise Data Services. 3. Will be included in action plan for Observation 2. 4. New employee setup refresher training for HR Recruiting has been conducted. 5. A task force including members from HR, BAS, AAIR, and Graduate school will be created and the workflow for setting up student new hires will be reviewed to ensure data is properly captured and interfaced from Campus Solutions to HCM. <p><u>Action Plan Owners:</u></p> <ul style="list-style-type: none"> • Vice President and Chief HR Officer • Director of Talent Acquisition • Director of PeopleSoft HCM Systems <p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> 1. Completed 2. Completed 3. February 29, 2016 4. Completed 5. June 30, 2016

Appendix A – Risk Classifications and Definitions

As you review each observation within the Detailed Observations and Action Plans Matrix of this report, please note that we have included a color-coded depiction as to the perceived degree of risk represented by each of the observations identified during our review. The following chart is intended to provide information with respect to the applicable definitions and terms utilized as part of our risk ranking process:

Risk Definition - The degree of risk that exists based upon the identified deficiency combined with the subsequent priority of action to be undertaken by management.	Degree of Risk and Priority of Action	
	Priority	An issue identified by internal audit that, if not addressed immediately, has a high probability to 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 high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level. As such, immediate action is required by management in order to address the noted concern and reduce risks to the organization.
	Medium	A finding identified by internal audit that is considered to have a medium probability of adverse effects to the UT institution either as a whole or to a college/ school/unit level. As such, action is needed by management in order to address the noted concern and reduce risk to a more desirable 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. As such, action should be taken by management to address the noted concern and reduce risks to the organization.

It is important to note that considerable professional judgment is required in determining the overall ratings presented on the preceding pages of this report. Accordingly, others could evaluate the results differently and draw different conclusions.

It is also important to note that this report provides management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.

Appendix B – Key Opportunities for Areas Impacting Payroll

There are various facets in terms of people, processes, and technology that have an impact on the accuracy and completeness of payroll. This illustration is to provide an overview of the key opportunities for areas impacting the payroll issues identified in the report.

