Off Cycle Payroll

Audit Report # 18-105
November 30, 2018

The University of Texas at El Paso

Office of Auditing and Consulting

November 30, 2018

Dr. Diana Natalicio
President, The 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 Off Cycle Payroll. 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 Budget and Personnel Services staff during our audit.

Sincerely,

Lori Wertz
Chief Audit Executive

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EXECUTIVE SUMMARY

The Office of Auditing and Consulting Services has completed a limited scope audit of Off Cycle Payroll for the period September 1, 2016 to February 28, 2018. During the audit period, 1,541 off cycle checks were processed.

- Thirty-seven ($199,670) of 1,541 off cycle checks should not have been processed via an off cycle payroll run.

Audit selected a sample of 60 checks for detailed testing, and noted the following:

- Six of 60 ($11,753) off cycle checks were issued due to administrative errors.
- One of 60 ($2,042) was issued without an off cycle request form.
- One individual approved two of her own off cycle checks totaling $12,393.
- One off cycle request form was not complete.
- Forty-one of 60 ($115,388) off cycle requests were submitted because the employee's appointment was not entered before the scheduled payroll run. One retroactive appointment was initiated 200 days after the position start date, causing the payment to occur in the next fiscal year.

BACKGROUND

The University of Texas at El Paso has developed the Off Cycle Check Business Process Guideline (BPG) for the processing of off cycle payroll checks. Common reasons for requesting an off cycle check include:

- an employee's appointment was not approved prior to the monthly payroll run,
- an hourly employee's timesheet was not submitted before the deadline, and
- employee appointment information was incorrect.

Off cycle checks are requested by completing an Off-Cycle Payroll Request Form. The form must be approved by the authorized signer on the account.

During the audit period, 1,541 off cycle checks totaling $3,199,651 were issued.
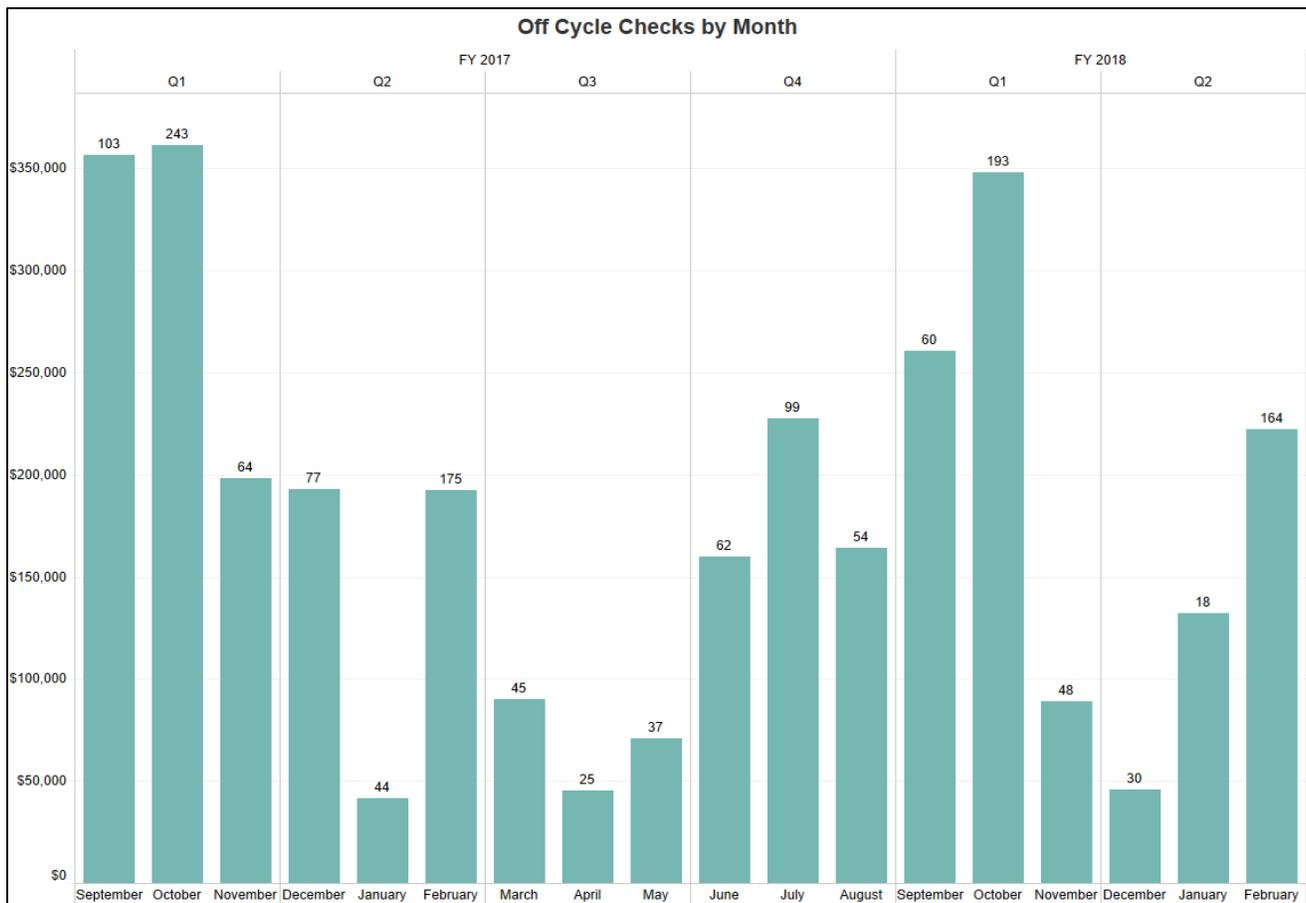
AUDIT OBJECTIVES

The objectives of the audit were to determine whether:

- off cycle payroll requests were properly supported and processed in compliance with University policy, and

- delays in the processing of appointments and the submission of hourly wages affected the timely processing of payroll.

SCOPE AND METHODOLOGY

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the authoritative guidelines of the *International Professional Practice Framework* issued by the Institute of Internal Auditors.

Audit procedures included:
- performing a risk analysis,
- using data analytics to detect anomalies,
- reviewing departmental procedures for off cycle payroll, and
- analyzing expenditures for proper support documentation.

The scope for this audit was the period of September 1, 2016 to February 28, 2018.

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.
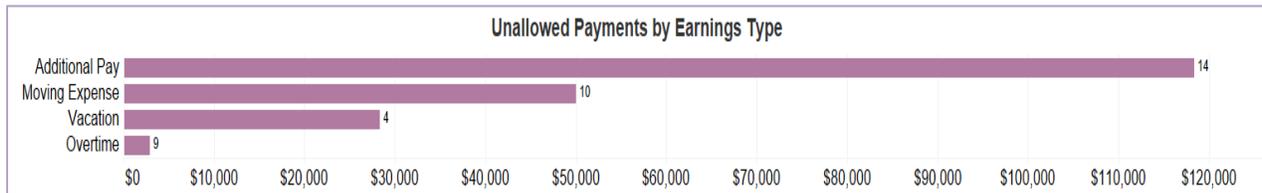
AUDIT RESULTS

A. Off Cycle Check Procedures are not Followed

The Off Cycle Checks BPG states:
"Off Cycle Payments will not be issued for:

- *Vacation Payout*
- *Moving Expense Reimbursements*
- *Overtime*
- *Longevity*
- *Additional Pay(Awards, Bonuses, Supplements)*
- *FICA Refunds*
- *PDA Reimbursements"*

37 of 1,541 off cycle checks were processed in violation of the BPG.

Additionally, a sample of 60 checks were reviewed for compliance with the following:

- a fully completed Off Cycle Request Form, and
- approval from the authorized signer on the account.

The following was noted:

- Six of 60 ($11,752) off cycle checks were issued as the result of administrative error, and no support documentation was maintained.

- One of 60 ($2,042) off cycle checks was issued without an off cycle request form. Without the request form, the approval could not be determined.

- One individual approved her own off cycle request form on two separate occasions, resulting in two off cycle checks ($12,393) being issued.

- One off cycle request form ($351) was not complete, as it did not list an approver.

Recommendation:

- Off cycle checks should be processed in accordance with policy.
- A completed off cycle request form should be required for all off cycle checks.
- Off cycle request approvals should be reviewed to ensure an individual does not approve their own off cycle request.

Level: This finding is considered **HIGH** because failure to follow policy could result in unauthorized payroll expenses being paid by the University.

Management Response:

We concur with the first two recommendations above. The business process guidelines published on the VPBA website will be re-evaluated to incorporate the recommendations, and republished by January 31, 2019. However, note that the off cycle request is not the approval for the appointment, merely approval for issuing a previously authorized payroll expense that is owed to the employee, but was missed during the normal payroll process. Payroll will not process an off cycle request if the record does not exist in PeopleSoft.

Responsible Party:

Andrea Reveles, Assistant Director Budget and Personnel Services

Implementation Date:

January 31, 2019

B. Process Inefficiencies

A sample of 60 of 1,541 off cycle checks was chosen, and the off cycle form and/or appointment information was reviewed to determine the reason for the request.

Causes of Off Cycle Payroll Checks

Appointment entered after scheduled payroll run **41 checks** **$115,388**	**Employee assignment information was incorrect** **4 checks** **$13,396**
	Administrative error **6 checks** **$11,753**
	Hours entered after scheduled payroll run **9 checks** **$4,302**

Late/Delayed Appointments:

28 of the 60 appointments were initiated more than 15 days after the employee's start date.

- One retroactive appointment was initiated 200 days after the position start date, causing the payment to occur in the next fiscal year.
- A second appointment was initiated 100 days after the start date.
- The appointment approval process for nine of the appointments exceeded 15 days.

Although these issues are beyond the control of the Payroll Department, it was determined that it was important to disclose the primary causes of off cycle checks.

CONCLUSION

Based on the results of audit procedures performed, we conclude improved efficiencies across campus are needed to reduce the number of off cycle checks generated.

In responding to the recommendation made in *A. Off Cycle Check Procedures are not Followed,* Budget and Personnel Services considers the off cycle request form to be *"approval for issuing a previously authorized payroll expense that is owed to the employee, but was missed during the normal payroll run."* Therefore, there is not a concern when an employee authorizes his/her own off cycle check. We are of the opinion that this is a segregation of duties issue and employees should not be able to initiate and approve their own transactions. We stand by our recommendation.

We wish to thank the management and staff of Budget and Personnel Services for their assistance and cooperation provided throughout the audit.

APPENDIX A: OFF CYCLE CHECKS

Reference: VPBA Business Process Guidelines, Off Cycle Checks
https://www.utep.edu/vpba/business-process-guidelines/payroll/index.html

THE UNIVERSITY OF TEXAS AT EL PASO
Business Process Guidelines

Off Cycle Checks
Updated: 7/15/2016

Purpose
To pay employees who did not receive their regular paycheck due to incomplete records and/or appointments.

Policy
Off cycle checks may be requested for earnings that were due to be paid on a prior scheduled payroll run but were not processed due to incomplete records and/or appointments.

Off Cycle checks can be requested for hourly and monthly employees for the following reasons:
• A monthly employee's appointment was not submitted and/or approved before the scheduled monthly payroll run.
• The department did not submit an hourly employee's hours before the payroll deadline.
• Retro payments for monthly employees owed earnings from prior pay periods.

Off Cycle Payments will not be issued for:
• Vacation Payout
• Moving Expense Reimbursements
• Overtime
• Longevity
• Additional Pay (Awards, Bonuses, Supplements)
• FICA Refunds
• PDA Reimbursements

All of the above will be processed on the next available regularly scheduled payroll for the employee.

Procedures

Off Cycle checks are regular payroll checks. The checks will have taxes, benefit deductions, and/or garnishments deducted accordingly.

Off Cycle checks should be requested by the department and approved by the authorized signer on the cost center/project ID.

• Department may request an off cycle check by completing the Off Cycle Payroll Request Form IAP.
• The Off Cycle IAP should be filled out completely including the correct Employee ID, position number, pay period to be paid, project or cost center approver, and the gross pay amount. A reason must be selected and a description entered to justify request.
• If the off cycle request is for an hourly employee, the hours must be entered and submitted in PeopleSoft before the request is processed.
• The employee MUST have an active assignment (Job Data) and a complete HR record for the requested pay period.

Off Cycle checks requested by 10:00 AM on Thursdays will be ready to pick up on Fridays after 4:00 PM. The checks can be picked up in Payroll Services in University Towers, 1900 North Oregon Street, Suite 100. A photo ID that matches the name on the check is all that is necessary to pick up the check.

Applicability
All University employees.

Responsible Party
Comptroller