July 14, 2016

Dr. Hobson Wildenthal, President *ad interim*
Ms. Lisa Choate, Chair of the Institutional Audit Committee:

We have completed an audit of the Hiring and Compensation Process as part of our fiscal year 2016 Audit Plan, and the report is attached for your review. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. The objective of our audit was to perform an audit of the hiring and compensation process.

Overall, we found controls are generally adequate but could be improved. The attached report details recommendations that will improve access management, adherence to policies and procedures, the research and teaching assistant hiring process, automated workflow requests, training, integration between systems, and monitoring of onboarding documentation.

Management has reviewed the recommendations and has provided responses and anticipated implementation dates. Though management is responsible for implementing the course of action outlined in the response, we will follow up on the status of implementation subsequent to the anticipated implementation dates. We appreciate the courtesies and considerations extended to us during our engagement. Please let me know if you have any questions or comments regarding this audit.

Toni Stephens
Institutional Chief Audit Executive

UT Dallas Responsible Parties:
  Ms. Colleen Dutton, Associate Vice President, Human Resources
  Mr. Adam Cantwell, Director, Payroll Services
  Mr. Richard Huckaba, Associate Vice Provost,

Members of the UT Dallas Institutional Audit Committee:
  External Members:
   Mr. Bill Keffler
   Mr. Ed Montgomery
   Ms. Julie Knecht
  Dr. Inga Musselman, Acting Provost
  Dr. Calvin Jamison, Vice President for Administration
  Mr. Terry Pankratz, Vice President for Budget and Finance
  Mr. David Crain, Vice President and Chief Information Officer
  Dr. Bruce Gnade, Vice President for Research
  Dr. George Fair, Vice President for Diversity and Community Engagement; Compliance Officer
  Dr. Gene Fitch, Vice President for Student Affairs
  Mr. Timothy Shaw, University Attorney

The University of Texas System:
  System Audit Office

State of Texas Agencies:
   Legislative Budget Board
   Governor's Office
   State Auditor's Office
   Sunset Advisory Commission

Executive Summary

Hiring and Compensation Process, Report No. R1621

Audit Objective and Scope: To perform an audit of the hiring and compensation process. The audit scope included FY 2015 to date, including current operations.

The following is a summary of the audit recommendations by risk level. See the Appendix for additional details.

Recommendation	Risk Level	Estimated Implementation Date
(1) *Perform a Review of User Access*	**Medium**	September 1, 2016
(2) *Adhere To and Update Policies and Procedures*	**Medium**	Implemented
(3) *Document RA and TA Hiring Process*	**Medium**	August 31, 2017
(4) *Formalize ePAR Workflow Request Process*	**Medium**	November 30, 2016
(5) *Mandate and Track Training on Best Practices*	**Medium**	November 1, 2016
(6) *Integrate PA7 and ePAR*	**Low**	March 31, 2017
(7) *Track and Monitor Onboarding Documentation*	**Low**	Implemented

Responsible Vice Presidents:

Dr. Calvin Jamison, Vice President for Administration (1) (2) (5) (6) (7)

Mr. Terry Pankratz, Vice President for Budget and Finance (2) (4) (6)

Dr. Inga Musselman, Acting Provost (3)

Responsible Parties:

Recommendations (1) (5) (7)
- Colleen Dutton, Associate VP, Human Resources

Recommendations (2) (6)
- Colleen Dutton, Associate VP, Human Resources
- Adam Cantwell, Director, Payroll Services

Recommendation (4)
- Adam Cantwell, Director, Payroll Services

Recommendation (3)
- Richard Huckaba, Associate VP, Provost's Office

Staff Assigned to Audit: Dominique DiAndrea, CIA, Senior Auditor; Hiba Ijaz, CIA, Staff Auditor

Table of Contents

Background

Hiring

UT Dallas currently has over 6,300 faculty, staff, and temporary employees. As shown in the table below, hiring at UT Dallas is handled in a decentralized manner based on the type employee being hired.

Type Employee	Responsible Party	Vice President	System(s) Used
Staff (non-faculty)	Associate Vice President for Human Resources	VP Administration	PeopleAdmin 7 (PA7)
Faculty	Associate Vice Provost	Provost	FacultyBook
Teach and Research Assistants	Individual Schools and departments	Provost	
Student Workers	Director of the Career Center	VP for Student Affairs	CometCareers[1]

Beginning in FY 2015, a new web-based application, PeopleAdmin 7 (PA7), was implemented to post staff positions, gather applications, and track recruiting and hiring actions for non-faculty staff. In the Provost's Office, faculty hires are tracked in FacultyBook; however, the Associate Vice Provost is in the process of transferring the process to PA7. As such, faculty *hiring* was considered out-of-scope for this audit and will be considered for a future audit. All research assistant (RA) and teaching assistant (TA) hires occur in a decentralized environment as each department administers and tracks them individually. The Office of the Provost does perform a review of credentials for TA's.

Compensation

Once all hiring decisions for faculty, staff, student workers, and RA's and TA's have been made, they are processed as new appointments by the Payroll department through ePAR (Electronic Personnel Action Request). ePAR was implemented in FY 16 and is a PeopleSoft module which replaced the manual personnel action form (PAF). Any subsequent salary changes (e.g., promotions, merits) are also processed using ePAR. The Director for Payroll Services, reporting to the Associate Vice President and Controller within the Office of Budget and Finance, manages this process.

---

[1] CometCareers was audited in FY 16. Refer to the Career Center Audit, Report No. R1611

Departments were fully phased-in for use of both the PA7 and ePAR systems as of October 2015. As of May 5, 2016:

- 82 positions are listed as open and posted, and 297 have been filled, *within PA7*.
- 836 payroll related transactions are pending, and 11,332 have been completed, *within ePAR*.

The following is a breakout of UTD salary dollars, by employee type, for the fiscal years ended August 31:

Regular Employees (A/P, Classified, and Faculty)	Fiscal Year	Earnings	% Change from Prior Year	Additional Pay	% Change from Prior Year
	2012	$169,407,182	N/A	$1,004,424	N/A
	2013	$190,977,499	13%	$2,507,140	150%
	2014	$209,381,483	10%	$2,249,336	-10%
	2015	$226,210,808	8%	$3,042,819	35%
	Totals	$795,976,979		$8,803,720	

In keeping up with university growth, and a changing economic environment, UT Dallas saw noticeable increases in both salaries and additional payments. Net salary earnings for regular employees, as of August 31, 2015, amounted to $226,210,808, which was an increase of 34% from 2012. Additional payments amounted to $3,042,819, which was a 203% increase from 2012.

The following is a breakout of UTD employees, by type, as of August 31, 2015, according to Human Resources:

Employee Type	Full-Time	Part-Time	Total
Regular	2,858	375	3,233
Temporary	41	3,093	3,134
Totals	2,899	3,468	6,676

Human Resources implemented the Compensation Standards and Practices policy in January 2015, and the University implemented an Additional Pay policy in February 2016. Prior to these, policies and procedures on hiring and compensation practices were not documented or formalized. Implementation of these policies and procedures has added noticeable value to the hiring and compensation process. Internal Audit was able to observe this while examining and testing year-over-year salary increases and additional payments.

UT System at UT Dallas Internal Audit
Internal Audit Report: *Hiring and Compensation Process*, **Report No. 1621**

July 14, 2016

Audit Objective

To perform an audit of the hiring and compensation process, including an organizational structure and staffing analysis.

Scope and Methodology

The scope of this audit was FY 2015 through current operations (the scope for year-over-year data analytics performed included FY's 2012-2015), and our fieldwork concluded on May 18, 2016. To satisfy our objectives, we performed the following:

- Interviewed staff and examined documentation to gain an understanding of current operations on campus.
- Reviewed available policies and procedures.
- Performed year-over-year data analytics for salary changes and additional payments.
- Determined if:
  - hiring processes, salary changes, and additional payments were in compliance with policies and procedures
  - the ePAR system was operating as designed
  - compensation was accurately supported and calculated
  - user access to the PA7 and ePAR systems was appropriate

Where applicable, we conducted our examination in accordance with the guidelines set forth in The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing.* The *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance or audit work, and management of the internal auditing department.

Audit Results and Management's Responses

Controls
Our audit work indicated that the following controls currently exist:

- Funding for new positions is reviewed and approved.
- Applicants are screened via E-Verify, and through criminal background checks, prior to hire.
- Hiring proposals are reviewed and approved and document candidate recommendation and justification for proposed starting compensation.
- Training on best practices, including non-discrimination, was provided to participating hiring managers upon implementation of the new PA7 system.
- ePAR's go through multiple layers of approval, including the review of supporting documentation and recommended compensation.

- Compensation Standards and Practices and an additional pay policy have been recently implemented, providing improved guidance to the university community.

Audit Recommendations

Priority Findings – UT System: A UT System priority finding is defined by the UT System Audit Office as: "*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.*"[2] We have **no UT System Priority Findings** resulting from this audit.

However, although the above controls are in place, opportunities exist to improve operations by implementing the recommendations outlined below.

(1)   ***Perform a Review of User Access***
       Risk Rating: Medium ☆

The PA7 system is used for posting staff positions, gathering applications, and tracking recruiting and hiring actions for non-faculty staff. As there are over 700 active users within the PA7 application, PA7 houses PRR's (Position Review and Request forms), hiring proposals, and employment applications which contain sensitive personal and salary information.   Access is handled by the Director of Employment Services. Departments communicate with Human Resources via email to notify them of the users that should be added, and with what level of access based on their job responsibilities. The following were noted when evaluating the PA7 system:

- There is no documented process in place to identify individuals who are allowed to request new assignment of, or changes to, PA7 submitters and approvers. Internal Audit acknowledges that the system is fairly new; therefore, policies and procedures on requesting and assigning appropriate user access have not been established.
- A review of user access is not being performed. One student worker continued to have access to the PA7 system, even after they had been terminated. This was due to their UTD credentials remaining active, and that they were not removed from the user listing once their employment ended. Internal Audit can confirm that they have now been removed.
- PA7 offers administrators the capability to login to the application as another user without knowing the users' password. This is in practice in order for HR to assist users over the phone with issues they are having. While PA7 logs the activity that an HR representative performs on behalf of a user, this activity is not monitored.

As user access has not been monitored, employees may have been granted access without a business need based on their job responsibilities.

---

[2] The appendix defines the risk levels for all internal audit recommendations.

Recommendation: To ensure that access is limited to authorized users, management should develop a periodic monitoring process to verify that users have the appropriate access based on their job responsibilities and employment status.

Management's Response: User access is granted based on the person's role for the posted position and/or their level of approval for said position, based on their departmental approval process. Even if a user maintains access to the PeopleAdmin7 (PA7) system, they would only be able to view the positions tied to their approval and access level. Social security numbers and date of birth are not part of the application. The only criminal history data available on the application is provided by the applicant. The criminal background check is handled separately. Any personal information provided is what the applicant submits as part of their application packet.

HR will implement a quarterly audit of user access to PA7 and delete access that is no longer needed, if not already deleted.

Estimated Date of Implementation: September 1, 2016

Person Responsible for Implementation: Ilyce Murray, Director Employment Services

(2)   ***Clarify Policies and Procedures and Retain Appropriate Documentation***
Risk Rating: Medium ☆

In January 2015, Human Resources implemented the Compensation Standards and Practices and Additional Pay policies, which provided specific guidance to the university community processing salary changes. While these policies greatly improved documentation for compensation changes and additional payments, we noted that the policies are not specific in defining what "reasonable and appropriate justification" or "adequate justification" entails when referring to salary increases and additional payments.

In addition, subsequent to the implementation of the policies, we found instances where: (a) a reclass was made outside of the policy requirements, and justification was not documented, and (b) appropriate documentation was not maintained as required in the new policy for a $35,000 (28%) salary increase. In this instance, vice presidential approval was obtained, but the policy required an offer letter to document the salary increase. Transactions not having appropriate support, and/or approvals should be immediately returned to the initiator. Any overrides to policies and procedures should be tracked and evidenced appropriately.

While occurring prior to the implementation of the Compensation Standards and Practices and Additional Pay policies, Internal Audit observed the following which evidenced those improvements were needed:

- support, justification and/or approvals could not be located on OnBase or ePAR
- some employees had not been in their current position for six months before receiving a salary increase
- additional payments (related to the School of Management and Executive Education) exceeded 25% of the employees' 12-month pay, individually, or in combination with other additional pay received throughout the fiscal year. It is noted that it is the School of Management's and Executive Education's business model for instructors to receive additional pay for teaching extra courses. A cap of 25%, however, is in place.

Recommendation: Human Resources should provide guidance to define what "reasonable and appropriate justification" and "adequate justification" means when referring to salary increases and additional payments, including supplemental pay. In addition, documentation should be imported into OnBase and/or ePAR in a timelier manner consistently so that the likelihood of misplacing original documents can be minimized.

HR Management's Response: The Deans and Vice Presidents have discretion to request a pay increase for an employee if they believe it is warranted based on a change in job duties, performance or pending outside job offer. There is a delicate balance that must be maintained between strict adherence to the standards and allowing some flexibility to meet business needs.

As noted in the Compensation Standards, HR request written documentation be provided for any pay increase greater than 5% so an internal and external market and equity review may be completed. This data is used by HR so a recommendation can be provided, and to assess if the request is reasonable and justified. However, under current practices, the final accountability for the decision rests with the Dean/VP.

For the situation where an employee received a 38% pay increase, this was due to a pending job offer for a top performer and the VP needed to act quickly to retain the employee.

The Compensation Standards were implemented in January 2015 with a 'soft' launch for the first several months to allow managers time to become accustomed to the new standards and processes. Compensation practices were not well documented prior to January 2015 and decisions were frequently made with little HR review or input. Compliance with the standards is improving and will continue to need executive level support for consistency of process.

HR will hold all employees accountable for adherence to the compensation standards and practices. Any exception will be formally documented.

Estimated Date of Implementation: *N/A – this is considered implemented.*

Internal Audit Response: *Internal Audit understands that management is ultimately responsible for making the final decision; however, providing guidance on what is reasonable and appropriate would enhance management's compliance and understanding of the compensation standards. We will perform additional follow-up work in this area during the 4th Quarter of FY 2017 to ensure it has been implemented.*

OBF Management's Response: *The Office of Budget and Finance (OBF) concurs with the recommendation and will assist the Office of Human Resources in establishing corrective measures with regard to ePAR. ePAR already has the capability to accept attachments. However, attachments cannot be added after the ePAR has been submitted. The OBF suggests that any ePAR submitted without the appropriate documentation be denied by the approver. A new ePAR with the appropriate documentation attached can then be routed for approval and appropriate action.*

Estimated Date of Implementation: *N/A – attachment functionality exists.*

Person Responsible for Implementation: *Adam Cantwell, Director of Payroll Services*

(3)   *Document RA and TA Hiring Process*
Risk Rating: Medium ⭐

The RA and TA hiring process is decentralized and handled individually by academic departments; they are not tracked using PA7. Additionally, hiring decisions are not defined, and the overall process has not been formally documented. The Associate Provost for Academic Affairs performs a review of all TA's prior to hire date (including credentials), however for RA's, this process remains entirely decentralized. Challenges associated with RA's and TA's include that many hires occur at the last minute due to the availability of final class rosters, and/or changes in grant funding which may increase the need for additional hires. Internal Audit acknowledges that the process is, somewhat, forced to be decentralized as individual departments understand their staffing needs best, therefore, they tend to operate in silos.

Recommendation: Understanding that there are unique challenges associated with RA and TA hires, any and all existing procedures should be documented for how the process is managed. In addition, responsibility for RA and TA hiring decisions should be defined. Finally, management should consider centralizing the process by transitioning the RA and TA hiring process into the newly implemented PA7 application.

Management's Response: *The Research Assistant and Teaching Assistant Hiring Processes have been altered across a number of years and as the University has continued to grow. For example, the RA budget has been managed by the different academic units and by the Research Division at different times, and each academic unit has been able to supplement funding made by the Research Division with academic unit or research unit funding. The Teaching Assistant budget was managed by one time by the Graduate Dean but has been moved to the Provost's Office to coordinate the entire TA budget centrally.*

Generally, the decision to award either a Teaching Assistantship or a Research Assistantship is made with the review of graduate students' applications for admissions to the University and within each School or academic unit.

- *Teaching Assistantships are most often awarded to the most highly qualified graduate applicants as an inducement to secure their enrollment within the academic program or department; school/college faculty charged with reviewing graduate student applications may choose to deem students as potential TAs based on undergraduate academic performance, previous graduate academic performance, letters of application, recommendation letters supporting the application for admission, previous teaching experience, and/or GRE/MCAT or other national or international test scores. TA appointments may also be made to currently enrolled students based on performance in specific graduate classes as TA positions become available, either through additional funding, the assignment of a TA to another position, or increased course demand.*

- *Research Assistantships are most often awarded to highly-qualified graduate applicants as an inducement to secure their enrollment within an academic program or department and in relation to an ongoing research project headed by a member of the faculty. RAs are generally hired because of academic performance or because of a research interest identified at the time of application or after enrolling at the University. Also, RAs may be hired after student's complete TA appointments and they begin to work in a laboratory environment in relation to their own research project associated with the dissertation.*

The Provost's Office will seek input from the Academic Deans to define more precisely how the different schools delineate the processes for RA and TA selection. An email will be sent to the deans on June 17, 2016, to seek their input regarding specific processes at the school level. Based on the email responses, the Provost's Office staff may also call a meeting of the School Fiscal Officers to review and clarify the responses so that we may determine what changes may be made to improve processes.

Estimated Date of Implementation: *Given the summer travel plans of many of the faculty and deans, we anticipate we may continue with the current plans for the Academic Year 2016-2017, with changes made during the year so that new graduate student applications may be considered based on any changes to be effective for the Academic Year 2017-2018 (Fiscal 2018).*

Persons Responsible for Implementation: *Dr. Inga Musselman, Acting Provost; Richard Huckaba, Associate Provost; Heather Burge, School Fiscal Officer*

(4)   ***Formalize the ePAR Workflow Request Process***
Risk Rating: Medium ☆

There is no documented process in place to identify individuals who are allowed to request new assignment of, or changes to, ePAR submitters and approvers. In addition, department management approvals are not required, allowing the Payroll department to manage workflow requests without the needed management oversight. Internal Audit acknowledges that the system is fairly new; therefore, policies and procedures on requesting, and assigning appropriate user access had not been established.

In addition, it was discovered that an employee was able to approve their own ePAR for a merit increase. Two other department approvers were noted on the transaction, however, they were at, or below the employees' level. The system shouldn't be designed to allow an employee to self-approve their own salary changes, especially if the employees' supervisor is not one of the three department approvers.

Recommendation: Management should implement a workflow request process that would ensure that appropriately assigned individuals are requesting new assignment of, or changes to ePAR submitters and approvers.

Further, the system should be designed to dis-allow an employee from approving their own salary change.

Management's Response: The OBF concurs with the recommendation. A formal procedure for requesting changes to ePAR approvers will be created. Programming changes will be made to prevent an employee from approving their own ePAR. Additional training will also be conducted with ePAR approvers.

In the transaction referenced, the Vice President is on the same approver step as the employee and did receive notification of the ePAR. The ePAR was also reviewed and approved after the department approvers, including Human Resources, Budget and Payroll.

Estimated Date of Implementation: Procedure for workflow changes and creation to be approved by November 1, 2016. Additional training of approvers to be conducted by November 30, 2016. Programmatic change to prevent individual approval of their own ePAR to be completed by November 30, 2016.

Person Responsible for Implementation: Adam Cantwell, Director of Payroll Services

(5)   ***Mandate and Track Training on Best Practices for Hiring Managers***
Risk Rating: Medium ⭐

Training on best practices for hiring managers, which covered non-discrimination (including what to say and what not to say regarding race, religion, age, gender, etc.), was included during the rollout of PA7. Of the 40 new hires tested, ten hiring managers had not received this training. Furthermore, since the completion of the PA7 rollout, this training has not been conducted for new hiring managers. While Internal Audit acknowledges that many people are involved in hiring decisions, an employee may unknowingly do, or say something that may appear discriminatory, as they have not been properly trained.

Recommendation: Human Resources should ensure that all faculty and staff involved in hiring decisions receive periodic training on hiring best practices, including non-discrimination.

Management's Response: HR is in full support of this recommendation. Senior and Executive leadership support will be necessary for compliance with this recommendation. The impact to UTD of not supporting such actions (training, following processes, etc.,) will be discussed in Cabinet meetings and Deans Caucus. Accountability for adherence and stewardship of UTD policies and practices should be the expectation of all senior and executive leaders so they may set the example for their school or division.

Estimated Date of Implementation: November 1, 2016

Person Responsible for Implementation: Ilyce Murray, Director Employment Services

(6)   ***Integrate the PA7 and ePAR Applications***
Risk Rating: Low ⭐

The PA7 application, used to track applicants and job posting, and the ePAR application, used for personnel actions, are not integrated. Due to the lack of integration, paper documentation is relied upon in order to complete a new appointment, the review and approval process is duplicated, and there is also greater risk for manual errors. Approximately seven calendar days are required to process a single new appointment transaction in ePAR. Much of this time is spent reviewing and approving supporting documentation that likely was reviewed within PA7.

Recommendation: To improve the efficiency of the hiring process, management should consider integrating the PA7 and ePAR applications.

Management's Response: *This was the original goal when HR introduced PA7. However, due to concerns raised by the Office of Budget and Finance regarding workflow, the integration was not implemented. HR and the OBF concurs with the recommendation and OBF will collaborate with the Office of Human Resources to assess the feasibility for integrating PA7 and ePAR. Office of Information Technology partners will be included in the assessment and to develop a potential long-range plan for integration. There are inherent challenges in developing an integration since PA7 does not reside within PeopleSoft.*

Estimated Date of Implementation: *Initial review and feasibility assessment to be completed by March 2017.*

Person Responsible for Implementation: *Adam Cantwell, Director of Payroll Services, Ilyce Murray, Director of Employment Services*

(7)   ***Track and Monitor Onboarding Documentation***
         Risk Rating: Low ★

Particular documentation, received as part of the employee onboarding process, must be obtained prior to an employee's start date. These items include checks to verify employment eligibility, criminal background checks, I-9 forms, W-4's, hiring proposals, position review and request forms, etc. Employment eligibility is verified using an internet-based system called E-Verify. Employers must submit information obtained from an employees I-9 with E-Verify, which cross-references it against government records with the Social Security Administration and U.S. Citizenship and Immigration Services. It is then determined whether the information matches, and whether the new hire is authorized to work in the United States.

We reviewed the employee files for 40 new appointments to ensure the appropriate documentation was obtained prior to the hire date, noting the following:
- One E-Verify check, used to verify employment eligibility status, was completed four months after the employees' hire date.
- One criminal background check was completed three business days following their hire date.
- Five required documents could not be produced (I-9, two W-4's, hiring proposal, position review and request form).

In addition, we noted that there is no tracking mechanism in place to ensure that E-Verify's are completed within three business days of the employees' hire date, or that criminal background checks are completed prior to hire date. Finally, A centralized tracking mechanisms to log when E-Verify's and criminal background checks are completed, who completed the check, and what the results of those searches were would ensure these important onboarding procedures are completed timely.

Recommendation: Monitoring procedures should be put in place to ensure that:
- E-Verify's are completed within three business days, as required by law.
- Criminal background checks are completed prior to the employee's hire date.
- Key pieces of new hire documentation are collected and put into On-Base/ePar in a timelier manner.

Management's Response:

- *E-Verify cannot be initiated until the SSN is provided by the employee. Since the SSN is not requested from the employee at any time during the application process, it is typically collected on the first day of employment as part of the DayOne process. This is the same time documents are verified for the I-9. Employers have 3 business days from the date of hire to complete E-Verify and the I-9 process.*

- *During the audit review period, there was one employee, a visiting scientist, in which a criminal background check (CBC) was not completed prior to the hire date. For staff, the CBC process is managed by HR and initiated after the hiring proposal has been submitted. A job offer is not extended until the results of the CBC are deemed satisfactory. For faculty, the CBC process is managed by the Provost office. A CBC is initiated on the final candidate or the offer is noted as 'contingent upon a satisfactory CBC…', if time is of the essence to acquire a new faculty member.*

A tracking method is already in place to ensure the CBC, I-9 and E-Verify have been completed. However, the process will be reviewed to determine if efficiencies can be implemented.

- *HR coordinates all new hire paperwork for over 500 <u>new</u> employees (faculty and staff) plus over 1,000 Ra/Ta's annually. Employee data is entered into the PeopleSoft system by Data Management which is part of the Payroll Office. HR partners with DM/Payroll in the timely flow and processing of employee information. This has historically been a highly manual and paper driven process susceptible to human error due to the volume of documents processed.*

In January 2016, HR implemented an electronic on-boarding process, called DayOne, to ensure the accuracy and timely retention into OnBase of new hire paperwork, such as the W-4, I-9, personal data form, etc. DayOne has improved the process and reduced errors significantly.

Since the issues noted in this report involving missing documents were for hires that took place in 2015 and prior to launching DayOne, HR considers this recommendation already implemented and will continue to monitor for efficiencies.

Estimated Date of Implementation: N/A – this is considered implemented

Person Responsible for Implementation: Ilyce Murray, Director Employment Services

Status of Prior Audit Recommendations

The following is the status of implementation of the recommendations relating to hiring and compensation resulting from Internal Audit Reports No. R1221, *Payroll,* dated August 6, 2012, and R1411, *Salaries and Wages*, dated February 28, 2014.

Recommendation	Implemented?
Management should perform periodic reviews to ensure that the PeopleSoft roles assigned to staff members are appropriate based on their job duties and ensuring an appropriate segregation of duties. Access roles should not be changed for employees on a regular basis. Management should determine the appropriateness of employees outside of the Payroll Department with access to critical Payroll related pages. Access to critical Payroll pages should be removed for employees whose job duties do not require such access. Correction Mode access should be removed from all Payroll employees. This access must be tightly controlled. Whenever Correction History access is requested, it should only be for a temporary window of time with documentation detailing the changes that will be made with such access.	Yes
The department head should ensure that administrative personnel are appropriately trained in human resources policies, including use of the online checkout process. In addition, both Information Security and PeopleSoft Security were informed of these incidents. These areas should also work with the Payroll department to ensure proper monitoring of access is in place, especially for temporary workers and consultants who are terminated or end their contracts with the University.	Yes
Management should follow university HR procedures for filling vacant positions and utilize existing opportunities that are available to minimize hiring costs.	Yes
Payroll should work with PeopleSoft Security to review PeopleSoft access to payroll related data to ensure only those that need other than read-only access to perform their job responsibilities are granted that access.	Yes
The Payroll Department should enhance guidance regarding the appropriate applications of Additional and Supplemental Pay when requests are made to approve wages that are not part of employees' regular earnings.	Yes

Conclusion

Based on the audit work performed, we conclude that controls over hiring and compensation processes are generally acceptable.   Implementation of the recommendations will assist with strengthening controls in this area.

We appreciate the courtesy and cooperation received from the management and staff in Human Resources, Payroll, and the Provost's office as part of this audit.

Appendix: Priority Findings and Risk Matrix

Definition of Risks

Risk Level	Definition
Priority	High probability of occurrence that would significantly impact UT System and/or UT Dallas. Reported to UT System Audit, Compliance, and Management Review Committee (ACMRC). Priority findings reported to the ACMRC are defined as "*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	Risks are considered to be substantially undesirable and pose a moderate to significant level of exposure to UT Dallas operations. Without appropriate controls, the risk will happen on a consistent basis.
Medium	The risks are considered to be undesirable and could moderately expose UT Dallas. Without appropriate controls, the risk will occur some of the time.
Low	Low probability of various risk factors occurring. Even with no controls, the exposure to UT Dallas will be minimal.