

**The University of Texas**  
**Rio Grande Valley™**

**Employee Leave**

**Report No. 17-RBA-005**

**February 2018**

**Office of Audits & Consulting Services**

February 28, 2018

Dr. Guy Bailey, President  
The University of Texas Rio Grande Valley  
1201 West University Drive  
Edinburg, Texas 78539

Dear Dr. Bailey,

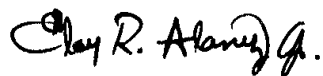
The Office of Audits & Consulting Services has completed the Audit of Employee Leave as part of our fiscal year 2018 Audit Plan. The objective of this audit was to perform analytical procedures to assess employee leave and determine if UTRGV exempt employees are adhering to the established Time and Attendance Guideline.

This audit was conducted in accordance with The University of Texas System's (UTS) Policy 129 *Internal Audit Activities*, the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)* and *Generally Accepted Government Auditing Standards (GAGAS)*. The *Standards* and *GAGAS* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of audits. We are required to adhere to these *Standards* and UTS 129.

The recommendations in this report represent, in our judgment, those most likely to provide a greater likelihood that management's objectives are achieved. Implementation of the recommendations will strengthen internal controls over property administration, ensure the safeguarding of assets, increase effectiveness and efficiency of operations and provide reasonable assurance that the University is operating in compliance with applicable laws, policies, procedures, rules and regulations.

We appreciate the assistance provided by UTRGV's management and other personnel. We hope the information and analyses presented in our report are helpful.

Sincerely,



Eloy R. Alaniz, Jr., CPA, CIA, CISA  
Chief Audit Officer

cc: UTRGV Internal Audit Committee  
UT System Audit Office  
Governor's Office of Budget, Planning and Policy  
Sunset Advisory Commission  
State Auditor's Office  
Legislative Budget Board

**Office of Audits and Consulting Services**  
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**EXECUTIVE SUMMARY**

The University of Texas Rio Grande Valley (UTRGV) offers employees various benefits, including employee leave. Employee leave allows UTRGV employees to take time off from work for personal reasons and it includes: sick, vacation, jury duty, maternity, etc. UTRGV employees also benefit from a state law known as state compensatory time. University policy ADM 04-407, *State Compensatory Time (Exempt and Non-Exempt Employees)* states that UTRGV "permits eligible employees to earn and use state compensatory time in accordance with state law."

In November 2015, a memo regarding employee leave for exempt employees was issued to UTRGV Vice Presidents to maintain consistency among departments and ensure compliance with the Fair Labor Standards Act. This memo included Time and Attendance Guidelines stating that exempt employees should not be docked for up to a half-day or four hours absence from work. Therefore, partial day absences of exempt employees should not be recorded as sick or vacation leave. Managers and supervisors were expected to communicate this information to their staff.

The objective of this audit was to perform analytical procedures to assess employee leave and determine if UTRGV exempt employees are adhering to the established Time and Attendance Guidelines. The scope of the audit consisted of all exempt employee timecards for calendar year 2016 (January 1, 2016 to December 31, 2016).

Overall, we concluded that University employees are not adhering to the Time and Attendance Guidelines. Exempt employees are recording vacation and/or sick leave of four hours or less; however, the number of occurrences are decreasing. In addition, we noted other discrepancies related to employee leave as follow:

- The compensatory leave payout process and time entry system do not align with UTRGV's policy ADM 04-407, *State Compensatory Time (Exempt and Non-Exempt Employees)*. The payroll system pays out compensatory leave monthly.
- The time entry system does not allow compensatory time to be recorded for exempt employees.
- Supervisors do not have adequate tools to help them reconcile employee leave. Leave reports are not available to supervisors making it difficult for supervisors to reconcile employees' time worked and time taken, especially for supervisors who oversee a large number of employees.

## **BACKGROUND**

The University of Texas Rio Grande Valley was created by the Texas Legislature in 2013 as the first major public university of the 21st century in Texas. This transformative initiative provided the opportunity to expand educational opportunities in the Rio Grande Valley, including a new School of Medicine, and made it possible for residents of the region to benefit from the Permanent University Fund – a public endowment contributing support to the University of Texas System and other institutions.

UTRGV has campuses and off-campus research and teaching sites throughout the Rio Grande Valley including in Boca Chica Beach, Brownsville (formerly The University of Texas at Brownsville campus), Edinburg (formerly The University of Texas-Pan American campus), Harlingen, McAllen, Port Isabel, Rio Grande City, and South Padre Island. UTRGV, a comprehensive academic institution, enrolled its first class in the fall of 2015, and the School of Medicine welcomed its first class in the summer of 2016.

The University of Texas Rio Grande Valley (UTRGV) offers employees various benefits, including employee leave and state compensatory time. The Office of Human Resources is responsible for employee and compensatory leave policies. The Payroll and Tax Compliance Office is responsible for ensuring that payroll processes adhere to UTRGV's leave policies.

## **AUDIT OBJECTIVE**

The objective of this audit was to perform analytical procedures to assess employee leave and determine if UTRGV exempt employees are adhering to the established Time and Attendance Guidelines.

## **AUDIT SCOPE & METHODOLOGY**

The scope of the audit was exempt employee timecards for calendar year 2016 (January 1, 2016 to December 31, 2016). To accomplish the audit objective, we performed the following:

- Gained an understanding of the employee leave process
- Obtained employee leave entries for the audit scope period from the payroll system
- Used IDEA data analytics software to run scripts on employee leave entries
- Selected sample for testing
- Tested sample for compliance with applicable policies

This audit was conducted in accordance with The University of Texas System's (UTS) Policy 129 *Internal Audit Activities*, the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)* and *Generally Accepted Government Auditing Standards (GAGAS)*. The *Standards* and *GAGAS* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of audits. We are required to adhere to these *Standards* and UTS 129.

**AUDIT RESULTS**

**Employee Leave**

We analyzed 100% of exempt employee vacation and sick leave timecard entries of four hours or less and the results are as follows:

<b>2016 Leave Taken of 4 Hours and Less</b>			
<b>Month (2016)</b>	<b>Hours</b>	<b>Occurrences</b>	<b>Number of Employees</b>
Jan	1,501	616	333
Feb	2,020	791	381
Mar	1,908	717	366
Apr	1,602	617	322
May	1,805	707	340
Jun	1,940	727	338
Jul	1,717	612	297
Aug	1,498	557	271
Sep	1,237	474	255
Oct	1,071	420	217
Nov	928	334	178
Dec	839	316	172
Grand Total	18,063	6,888	3,470
<b>% Change Jan-Dec</b>	<b>-44%</b>	<b>-49%</b>	<b>-48%</b>

These entries did not follow UTRGV’s Time and Attendance Guidelines, which state that: “partial-day absences of exempt employees will not be recorded as sick or vacation leave”.

According to the Payroll and Tax Compliance Office, they corrected timecards with four hours or less when it was brought to their attention. We tested a sample of 30 entries to evaluate if these entries were corrected. According to the Payroll and Tax Compliance Office only 4 entries in our test sample were corrected.

Trend analysis of time card entries from January 2016 through December 2016 revealed a 49% decrease in occurrences of exempt employees posting vacation and sick leave of four hours or less.

**Recommendation:**

1. The Human Resources Office should communicate the Time and Attendance Guidelines to all impacted employees.

**Management Response:**

1. The information has been provided through a top down approach to the division leadership in November 2015; however, the communication was not passed on in a consistent basis.

Follow up communication will need to be provided to the campus community directly and then followed up with in person training, which will also need to include training on how timecard corrections can be requested. A detailed review of staff needing to submit timecard corrections will need to be done by the Payroll and Tax Compliance office.

The data included in the report will need to go through a detailed review to update the following concerns:

- HR has already had 4-hour rule specific meetings with divisions and departments, as well as included clarification about the 4 hour in different trainings (such as the training conducted for the FMLA changes).
- Multiple staff members have requested time card adjustments, which are not accounted for in the list, since Payroll does not correct the historical timecard, but does a one-time adjustment at the time of request.
- During the review by Internal Audits only samples were reviewed for time card adjustments. Before staff members can be contacted to correct timecards based on this list a final list including only staff members who have not requested timecard adjustments should be generated. The numbers of incidences identified are expected to decrease.

Human Resources will need to conduct a review of policies which may not support the 4 hour rule and revisions may be needed.

**Implementation Date:**

January 2018 – email notification to campus and add information to HR website

May 31, 2018 – follow up training through Business Partners

**Compensatory Time**

**Non-Exempt**

Currently compensatory time-and-half is paid out every month and therefore, compensatory leave balances are not accrued. This was the practice of the legacy institution and continues at UTRGV. UTRGV's Handbook of Operating Procedures Policy ADM 04-407, *State Compensatory Time (Exempt and Non-Exempt Employees)* states that full-time non-exempt employees may be paid for state compensatory time hours when the taking of earned state compensatory time would be disruptive to normal teaching, research, or other critical functions. The Payroll and Tax Compliance Office's interpretation of ADM 04-407 is that compensatory leave balances accrue and would be paid out after 12 months. Executive management recommended to keep the 12-month payout process; however, changes were never implemented in the payroll system. The Payroll and Tax Compliance Office continues paying any time worked over 40 hours on a monthly basis.

Updating the way compensatory time is recorded, accrued, and paid is considered a major change to the payroll process. This change requires careful planning, adequate resources, extensive testing, and validation. Under latest management change, it was decided that the Payroll and Tax Compliance Office would not payout compensatory leave balances monthly. The Payroll and Tax Compliance Office is working on implementing changes to the payroll system, prior to the PeopleSoft implementation go-live.

### **Exempt**

UTRGV Policy ADM 04-407 states that “State compensatory time can be earned by both exempt and non-exempt employees.” The University's time entry system does not allow exempt employees to record compensatory time. Exempt employees report absences in the time entry system, not hours worked.

### **Leave Reports**

To review time worked and time taken, including compensatory leave, supervisors rely on the University's time entry system. Supervisors can view employees' monthly time sheets; however, supervisors can only view an employee's time sheet one month at a time. Leave reports are not available to supervisors making it difficult for supervisors to reconcile employees' time worked and time taken, especially for supervisors who oversee a large number of employees.

### **Recommendation:**

2. The Payroll and Tax Compliance Office should ensure that payroll processes in the PeopleSoft implementation align with the policy ADM 04-407, *State Compensatory Time (Exempt and Non-Exempt Employees)*.

### **Management Response:**

2. **Payroll and Tax Compliance Office** - In order to adhere to policy ADM 04-406, the Payroll Office in partnership with the Office of Human Resources released some enhanced options to bank or payout accrued overtime in the timecard system.

Beginning with the June 2017 pay period, online EiS Supervisor Timecard Review and Approval options have been expanded. The new features provide timecard approvers options to pay current and/or previously banked overtime hours, as well as the option to bank earned overtime for later use (assuming the supervisor has granted prior approval).

Banked overtime hours not used within twelve months after the end of the workweek in which it was worked will be paid out automatically.

Banked overtime balances are now displayed for Supervisors on their employees' timecard as of the last approved and processed timecard.

These new features provide flexibility and allow timecard approvers to manage resources and evaluate the best option for their departments.



During design sessions for the PeopleSoft implementation for Absence Management and Time and Labor modules, this has been submitted as a requirement for our institution to be able to continue with this practice.

**Human Resources Office** - Update to non-exempt time reporting was done effective June 2017 (Excerpt from memo dated 6/22/2017):

1. Timecard approvers will now have the option to authorize the banking of overtime hours to be used at a later date.
2. “Pay” or “Don’t Pay” options for timecard approvers in the current timecard period.
  - a. “Pay” option: overtime will be paid in the next payroll period.
  - b. “Don’t Pay” option: overtime hours will be banked and available for later use.Note: Banked overtime hours not used within twelve months after the end of the workweek in which it was worked will be paid out automatically.
3. Timecard Approvers will now indicate exact hours to be paid out.
4. Banked overtime balances will be displayed on the timecard as of the last approved and processed timecard.

**Implementation Date:**

Customization on EiS timecard was implemented on August 1, 2017.

**Recommendation:**

3. The Payroll and Tax Compliance Office should update EIS Time Entry to align with policy ADM 04-407, State Compensatory Time (Exempt and Non-Exempt Employees) which allows exempt employees to earn compensatory time.

**Management Response:**

3. As per policy ADM 04-407, “Written authorization must be completed by the immediate supervisor and be forwarded through management, up to the appropriate Vice President or designee of the department”.

It is under rare circumstances that Exempt employees earn state compensatory time. These circumstances are considered when a high volume of work time is required to complete a major project.

On May 2017, a new leave element “Exempt Comp Time” was created in the EiS Time Entry system. This element allows the Human Resources department to award a set number of hours to exempt employees that have provided the necessary written authorization. The accrual of exempt compensatory time is approved by the Chief HR Officer. Once hours have been awarded, exempt employees are able to indicate “Exempt Comp Time” on the EiS self-service timecard.

During design sessions for the PeopleSoft implementation for Absence Management and Time and Labor modules, this has been submitted as a requirement for our institution to continue with this practice.

**Implementation Date:**

New Leave Type Element implemented on May 8, 2017.

**Recommendation:**

4. The Payroll and Tax Compliance Office should develop employee leave reports so that supervisors may use those reports to assist them in carrying out their responsibilities related to annual vacation and sick leave.

**Management Response:**

4. During design sessions for the PeopleSoft implementation for Absence Management and Time and Labor modules, this has been submitted as a requirement for our institution to be able to develop employee leave reports so that supervisors may use these to assist them in carrying out their responsibilities related to annual vacation and sick leave.

**Implementation Date:**

PeopleSoft go-live targeted date of September 1, 2018

**CONCLUSION**

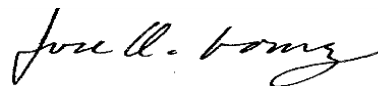
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