Payroll and Related Business Processes
Follow-Up Review
(Fieldwork ended August 15, 2013)

Audit Report
and
Management’s Responses

Issue date January 15, 2014
Reissue date April 7, 2014

Prepared by: Alamo Colleges’ Internal Audit Department
AUDIT REPORT AT A GLANCE

Objectives were to determine if management’s corrective action plans for recommendations made in the 2007 audit report were completed and if the control deficiencies were resolved since transitioning to the Banner HR Module environment.

Scope included activities in fiscal year 2013, and 2012 when appropriate.

General Conclusion Statement
Alamo Colleges has made significant strides with its human resources/payroll business processes since 2007. Findings from this follow-up audit indicated that strengthening the processes and controls to achieve a higher performance outcome was still a work-progress.

Key Recommendations:

Ensure that College Staff & Supervisors comply with personnel policies & procedures by:
- Improving the training provided, especially for new hires and Supervisors
- Reporting violations to College Presidents & Administrators for corrective action
- Disciplining Staff and their Supervisors for compliance violations

Improve HR Module, Self-Service Application, and Web-Time-Entry by:
- Enhancing the business process analyses for the key activities
- Establishing data standards for employee master records; use federal record formats
- Developing or improving procedures for critical personnel activities
- Providing Employees and Supervisors with appropriate on-going training
- Correcting data entry errors more timely, especially names & Social Security Numbers
- Using more of the HR Module functions or features

Strengthen human resources & payroll processes by:
- Implementing Presidents or Vice Chancellor reviews of leave, special pay & overtime
- Enhancing Finance & Fiscal Services Department reviews of monthly reconciliations
- Developing exception reporting for the Colleges and District Management

Reinforce human resources & payroll controls by:
- Reconciling total time and records each pay period to the payroll registers and ledger
- Reconciling payroll deductions and State benefits paid
- Verifying check number sequences
- Correcting timesheet or payroll errors promptly
- Paying vacation leave for grant personnel annually, or require leave to be taken
- Monitoring use of the Banner Form for W-2 corrections
- Reconciling the Bridge Pay Recovery Accounts

Strengthen compliance with Board Policies and District Procedures by:
- Adopting hiring, compensation, sick leave, and telecommuting suggestions

Enhance Federal and Texas regulation compliance by:
- Documenting procedures to facilitate foreign persons and new hire regulations
- Providing Staff with the appropriate training
- Revising the I-9 self-audit procedure to include exception resolution duties
- Ensuring that reports are accurate and timely
- Notifying the Chancellor, College Presidents and Vice Chancellors of violations
- Using progressive discipline measures for violations
- Obtaining proper documents from foreign persons for marital status and withholding
- Improving the personnel master record data; and coding records appropriately
- Reconciling data files before transmission to regulators
- Revising prior reports for specific errors identified
- Improving procedures to differentiate employees from independent contractors
## Key Recommendations Continued

### Ensure compliance with Texas Administrative Code 202 Information Security Standards for Higher Education by:
- Classifying data for the HR Module based on risks
- Using new classifications to redesign the HR Module security classes
- Limiting access to forms with critical maintenance functions
- Developing a Self-Service security procedure
- Segregating Self-Service security maintenance from other HR/OD maintenance duties
- Developing business continuity plans for human resources and payroll functions
- Enhancing the change management procedures
- Completing the documentation of the information technology governance framework

### Continue the records management program implementation to comply with Texas regulations and Board Policy

### Improve Banner Finance Module Vendor Master File maintenance by:
- Correcting identified master record errors
- Establishing better maintenance procedures
- Limiting the security classes with maintenance forms
- Segregating the master file custodian and alternate from other maintenance duties

### Consider other controls and cost saving measures including:
- Assigning unique position codes to each employee; discontinuing pooled positions
- Reevaluating sick leave allowed for family circumstances or other funerals
- Reassess the bereavement leave allowed instead of using sick leave
- Evaluating the costs and benefits of paid-time-off each year
- Implementing the Ellucian/TCC Sick Bank automated processing

## Impact or potential risks for Alamo Colleges if these issues are not addressed

- Salaries and wages (without benefits) were 56% of 2013’s operating expense budget
- These business processes impacted almost 5,000 employees in 2013
- Non-compliance with Federal or Texas regulations
- Non-compliance with Board Policies and District Procedures
- Impedes District’s strategies for performance excellence

## Management’s Responses Overview:

Management accepted or partially accepted all recommendations for completion by August 2015. Management will:

- Enhance new hire and supervisory training regarding individual responsibility to ensure timely submission and approval of accurate time and leave reporting; as well as other employee status changes (adds, transfers, terminations, etc.).
- Review banner, reporting, field edits, self-service and workflow capabilities to improve processes.
- Implement a process to notify Senior Leadership for reporting violations in their area of responsibility; and include disciplinary actions for compliance violations.
- Review and improve controls and reconciliations
- Identify requirements for work hours, leave, deduction and other reports and seek timeline from Information Technology Department to create the reports.
- Update policies and procedures per its rolling three year review process
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BACKGROUND
In 2007, Internal Audit completed an extensive review of the business processes for human resources and payroll, including the related Human Resources Information System (HRIS) security. The audit covered the business cycles from hiring to terminating personnel, recording time, disbursing payroll, maintaining the personnel records, and regulatory reporting. Review procedures also evaluated the use of and compliance with the Alamo Colleges various leave programs. In addition, overtime and compensatory time use and costs were examined.

IMPACTS
In fiscal year 2006, salaries and wages (without benefits) totaled over 66 percent of the District's operating expenses. For fiscal year 2013, these costs will amount to approximately 56 percent of the operating expense budget. The number of personnel employed by Alamo Colleges dropped from almost 5,600 in 2006 to about 4,700 employees in 2013. In addition, substantial resources are used to support these business processes for the Alamo Colleges.

Streamlining these processes with automation and fewer manual practices, reports, forms, or external spreadsheets was essential. Reduced funding has challenged Alamo Colleges to operate more efficiently, which makes effective control activities for personnel and payroll more critical.

AUDIT RESULTS SUMMARY
Alamo Colleges has made significant strides with its human resources/payroll business processes since the 2007 audit. Subsequent to the audit, organizational changes occurred that affected these processes. In 2010, Alamo Colleges transitioned from Legacy System to the Banner Human Resources (HR) Module. Management’s corrective action plans, provided in November 2008, were highly dependent on the implementation of this Module. Management’s corrective actions included automation improvements such as Web-Time-Entry (WTE), the Electronic Personnel Action Form (EPAF), and Banner Self-Service. The Human Resources and Organizational Development Department also initiated a quarterly self-audit for the employment eligibility verification (I-9 Form) process that generally appeared effective.

Through spring 2013, Management reported the status of the corrective action plans as 232 recommendations completed, two past due, and six declined. For this follow-up review, Internal Audit and the clients concurred that grouping the 200+ recommendations instead of individually verifying them was more effective. Follow-up audit procedures were performed to verify that the corrective actions addressed the recommendations accepted, and resolved the compliance or control deficiencies reported. Review results supported most of Management’s assertions. However, the audit evidence continued to show some recurring control deficiencies and identified some new problems for Management to address.
AUDIT RESULTS SUMMARY CONTINUED

These issues included the following:

- Some College Staff & Supervisors did not fully comply with personnel policies or procedures
- A number of business process analyses require more detail
- Insufficient procedures for various critical business processes
- Improved HR Module and Self-Service training are essential
- Some Banner HR Module personnel master records do not have data; are not used
- Various Banner employee records examined showed inaccuracies and errors
- Problems identifying and reporting employees who are not US Citizens per Federal regulations
- Texas new hire reporting errors; partially due to no reconciliations or Supervisory reviews
- Vulnerabilities in the hiring, time-entry, payroll disbursement, and termination processes
- Inaccurate recording of leave used by some employees and insufficient Supervisory review
- Risk exposure related to HR Module and Self-Service security classes and access controls
- Inadequate business continuity planning and procedures for these processes
- Banner Finance Module Vendor Master File Maintenance security and data discrepancies

Alamo Colleges created fifty-four Business Process Analyses (BPAs) for the human resources and payroll activities. These BPAs appeared high level due in part to the time constraints for the Banner implementation. Many could be strengthened by following the District’s adopted process improvement methodology referred to as FOCUS PDCA. With these documented BPAs, staff could perform various employee related activities using Banner; however, consistent results were not assured. A number of processes identified during the project implementation lacked BPAs, including position control, regulatory compliance, and systems security.

For these processes and controls to work more effectively, College and District employees need additional HR Module procedures and training. Control problems compounded when Campus staff and Supervisors involved with employment or payroll processes did not fully comply with personnel policies and the related procedures. Examples showed that the Colleges allowed multiple individuals to begin work before the hiring process was completed. This included criminal background checks and eligibility verification.

Four Colleges allowed faculty to telecommute without following the applicable policy and procedure. Most telecommuting employees worked in states with income reporting and tax withholding requirements that were unknown to the Alamo Colleges, which led to other compliance problems.

Alamo Colleges employed some people who do not meet the federal criteria for US Citizenship. The District’s eligibility verification practices addressed some of the federal requirements for foreign individuals. However, the District and College Departments lacked adequate understanding of the regulations and data collection required for individuals categorized as foreign persons with US income sources.

During this audit, the Finance & Fiscal Services Department began evaluating the compliance requirements for telecommuting and non-citizens to determine the corrective action needed.
DETAILED RECOMMENDATIONS, RESPONSES, CONCLUSIONS, AND CONDITIONS
Compliance with Board Policies and District Procedures

Recommendations
1. Improve the training provided, especially for new hires and Supervisors
2. Ensure that College Staff and Supervisors comply with personnel policies and procedures by:
   • Reporting violations to College Presidents and Administrators for corrective action
   • Disciplining Staff and their Supervisors for compliance violations

1. Management’s Response
   Accept
   Senior Leader: Diane E. Snyder, VCFA
   Manager: Linda Boyer-Owens, AVC
   Target Completion: August 2014

   Action Plan:
   Management will enhance new hire and supervisory training regarding individual responsibility to ensure timely submission and approval of accurate time and leave reporting; as well as other employee status changes (adds, transfers, terminations, etc.).

2. Management’s Response
   Accept
   Senior Leader: Diane E. Snyder, VCFA
   Manager: Linda Boyer-Owens and Pamela Ansboury, AVCs
   Target Completion: August 2014

   Action Plan:
   Management will implement a process to notify Senior Leadership for reporting violations in their area of responsibility; and include disciplinary actions for compliance violations.

Background – Prior Audit Issues
The 2007 audit recommendations noted some personnel policy and procedure compliance issues. HR Module training opportunities provided a venue for Alamo Colleges to reinforce these policies and procedures.

Conclusions
Alamo Colleges’ employees can demonstrate their commitment to the organization by following the approved personnel policies and procedures. For this audit, HR/OD Department Management provided recent examples of non-compliance by College employees. Other cases were observed while performing audit procedures. Supervisors enabled various employee violations, which was considered a significant problem.

Conditions
Alamo Colleges’ procedures most often not complied with included:
- D.2.2 Hiring Practices
- D.2.4 Nepotism, Conflicts of Interest
- D.2.6 Telecommuting
- D.5.3 Holidays, Leaves, & Absences
- D.2.3 Qualifications for Hire
- D.2.5 Hiring Authority, Status, Assignments & Duties
- D.5.1 Employee Compensation & Exempt/Non-Exempt Status

Later sections of this report explain the various examples of non-compliance found.
Recommendations

Improve the Banner Human Resources Module Processing and Controls by:

3. Completing analyses for the remaining most critical personnel processes
4. Documenting appropriate procedures for all key personnel processes
5. Training College and District employees (especially new hires and Supervisors) about key personnel processes and the related procedures
6. Enhancing and reconciling the monthly position control report
7. Designating the data elements required to be populated in the HR Module
8. Determining if additional Banner edit checks or validation features can be implemented to prevent or detect critical data errors
9. Developing exception reports to identify inaccurate posted data
10. Performing timely correction of duplicate person identifier numbers

3. thru 10. Management’s Response

<table>
<thead>
<tr>
<th>Senior Leader:</th>
<th>Manager:</th>
<th>Target Completion:</th>
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<tbody>
<tr>
<td>Diane E. Snyder, VCFA</td>
<td>Linda Boyer-Owens, AVC</td>
<td>January 2015</td>
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Action Plan:
Management will assess whether additional Banner controls or reporting is available for critical areas and update procedures. An employee will be designated to perform reconciliations and corrections.

Background – Prior Audit Issues

The 2007 audit recommended greater utilization of the Legacy HR System controls, and integration with the PeopleLink Applicant Software. At that time, the database included over 35,000 active employee records. The prior review noted many fields in the System without data including marital status, citizenship status, mailing addresses, and emergency contact information. Basic demographic information exceptions were apparent such as name discrepancies, invalid or missing Social Security Numbers, and incorrect address formats.

Most importantly, there was no reconciliation of positions and employee counts or annual wages. It was very complex to determine the number of employees due to pooled positions for Work-Study Students, Adjunct Faculty, Continuing Education Instructors, Part-Time Workers, and special pay assignments. Effective management of positions and personnel costs required reliable, accurate, and timely data.

Conclusions – Overview HR Module Processing and Controls

Alamo Colleges Management stated that implementing the Banner HR Module would resolve most of the control deficiencies reported and address the recommendations accepted. In spring 2013, they felt that their corrective actions were substantially completed.

Employee data collection improved significantly due to the Human Resources (HR) Module and the Banner Self-Service capabilities using the Alamo Colleges Education Services (ACES) Portal. Banner interfaces with the PeopleLink Software enhanced the reliability of limited electronic applicant information. The 2010 launch of Web-Time-Entry for automated reporting of time worked, overtime, and leave used provided additional efficiency and effectiveness for those personnel processes.
Banner Human Resources Module Processing and Controls Continued

In addition, the Electronic Personnel Action Form (EPAF) developed by the HR/OD Department was a vehicle to communicate employee actions primarily for position management and compensation. EPAF could not be used to change the position accounting classification, or FOAP number. EPAF used the Email System to exchange data instead of handling paper forms. This represented quasi-automation because the HR/OD Department Staff still performed HR Module data entry for the EPAF transactions. The EPAF was implemented in phases during 2013. Workflow and its Banner interfaces had not been completed while the audit was in-progress.

Data entry by HR/OD Staff was still performed for several key personnel processes. The Human Resources and Organizational Development (HR/OD) Department implemented HR Module reporting that could detect some data entry errors or exception conditions if they had been used properly.

However, results from the audit work indicated that the HR Module features used and the controls deployed could be more effective. Alamo Colleges cannot readily determine accurate position and employee counts in total or by job class.

There was no practice to verify Social Security Numbers (SSN) provided by prospective employees by comparing them to the actual SSCard, or to validate those entered by HR/OD Staff. These controls need strengthening. EPrint Report GZR0027 had limited capacity to check for SSN errors; it had more ability to flag duplicate identifier problems. However, the report does not group the potential exception records as employees, vendors or students. GZR0027 run in mid-May 2013 had over 2,800 line items that could be exceptions. These records were an accumulation of unresolved line items since implementation. Some appeared several years old, and about 50 percent of the records had generic or System User identifiers as the transaction originators.

HR/OD Department Staff input other demographic information for new and existing employees. Audit work identified an improper address change in January 2013 for a current employee that was not detected. This individual confirmed that the change of address was incorrect, and used Self-Service to fix her record several months later.

The citizenship status codes for new hires and existing employees were also evaluated. This data was input by HR/OD Staff or transferred to the HR Module from the Legacy System. In 2013, examples of incorrect citizenship codes occurred because of Banner menu selection errors for some newly hired persons. In addition, there appeared to be various citizenship code errors in the HR Module for existing employees.

Conditions – Using Banner for Managing Positions and Costs

Current practices included pooled positions for Adjunct Faculty, Continuing Education Instructors, Work-Study Students, and special compensation situations. HR/OD Management felt that it was more efficient to assign multiple employees to a single position, or pooling, in these cases.

Management’s primary control tool was a Banner Position Control Report that showed each job, the incumbent employee, and the related budget information. There were no practices to reconcile this data with other sources or to perform reasonableness comparisons.
Banner Human Resources Module Processing and Controls Continued

Internal Audit evaluated an electronic copy of this Position Report run on 3/11/2013. It had 56 columns and 11,000 rows of data, which made it difficult to handle or analyze. It also:

- Showed 7,800 active and about 3,000 inactive positions
- Had 5,231 positions with a single employee name; including 382 for special compensation
- Included 1,058 positions with two or more employee names assigned totaling 5,705 persons
- Had no control totals for record counts or salary amounts
- Showed annualized individual salaries for all positions including part-time

Auditing asked the HR/OD Department to provide a separate detail file of positions and employees. This 3/11/2013 file had almost 15,000 records, which included:

- 7,106 active employees with positions
- 1,098 active pooled employees without assigned positions
- 321 active employees who had retired; these were needed for State benefits administration
- 3,848 inactive employees with position assignments
- 2,618 inactive personnel and retirees without positions

The Report and the requested file could not be easily reconciled; and the differences identified appeared significant.

Conditions - Human Resources Module Administration

Audit procedures to verify that Management completed its corrective actions included reviewing:

- Business process analysis documentation created for the HR Module and related activities
- Banner Human Resources Module Rules and Validation Forms
- HR Module and database content

Available documentation for the personnel business processes appeared summarized with little detail. In some instances, there were no procedures. These included the:

- Interfaces between PeopleLink, Banner Self-Service, and the HR Module
- Reporting strategies for HR Module data, exceptions, and errors
- District-wide overtime practices; paper forms with approvals were still required
- Service date changes or updates by HR/OD Department Staff
- Administering retirees’ benefits in cooperation with the State
- Employee terminations
- Special pay compensation

Limited Legacy HR System employee data was cleansed so some inaccurate information transferred to the Banner Module, such as legal names and address formats. Various employee fields are blank including a contact for emergencies, certifications, and licenses. Some employee records had errors such as those who were not US Citizens.

Management implemented Banner Self-Service capabilities using the Alamo Colleges Education Services (ACES) Portal for some processes. This was viewed as more user friendly than the HR Module. Part-time and Classified Employees input positive pay hours and leave used through Self-Service. It was also used to record leave taken by Administrators and Professionals. Some individuals had incomplete transactions because they did not understand the instructions.
Banner Human Resources Module Processing and Controls Continued

Alamo Colleges' Management purchased the Talent Management System to process and store data about employees' education, certifications, career training, and performance. The HR/OD Department determined that this application was more robust and user friendly than the HR Module.

Conditions - Accuracy of Data in the Banner HR Module

For new employees, information originated with the position requisition provided by the Supervisor, and the job application submitted by an individual. When an applicant was recommended for hire, an interface with PeopleLink passed limited data to the HR Module General Person, Employee, and Job Assignment Forms. Banner relied on common matching rules to prevent creating multiple personal identification numbers for new employees. To complete employee records, HR/OD Staff manually entered some data, such as the emergency contact, payroll deductions, and tax withholding.

After establishing a personnel record, designated information can be changed directly by an employee through ACES using Self-Service. Personnel can update their address, phone numbers, Email accounts, emergency contacts, ethnicity, and race. HR/OD Staff can modify personnel records if requested by an employee, or to correct Social Security Card data if needed.

A daily EPrint HR Audit Trail Report flagged changes made by employees using Self-Service. This Report captured the complete employee record before and after the change. The Report run for 05/08/2013 had 179 records with changes. The volume of records and content of each made it difficult to verify the accuracy of updates.

Another EPrint Report GZR0027 identified duplicate Banner Person Identifiers for review and correction. The HR/OD Department resolved duplicate employee identifiers while the Finance & Fiscal Services Department addressed duplicate vendor identifiers. The Center for Student Information resolved multiple personal identification numbers for students. The Report run for 05/13/2013 had over 2,800 records with potential problems. The records did not indicate if the individuals were employees, vendors, or students. Records remained on this report until corrected; approximately 150 of them occurred in 2011. It also showed incorrect data; there were 83 invalid taxpayer identifier numbers, such as “111111111”, “000000000”, and “999999999”. These occurred between 2010 and 2013; these individuals did not appear to be employees.

A review of 2012 W2 Forms indicated that the HR/OD Department Staff had mistakenly changed an active employee’s address to another state while updating a terminated person’s record. HR/OD Management confirmed with this individual that this change was an error, and the employee corrected her address using ACES. In this case, the employee would have had to detect this data entry error by HR/OD Personnel later.
Federal Employment Eligibility Verification Compliance Processes and Controls

Recommendations

11. Ensure that College Supervisors and Administrators comply with Board Policy D.2.5 Hiring Authority, Status, Assignments, and Duties and Procedure D.2.5.1 by:
   • Notifying Chancellor and College Presidents of policy or procedure noncompliance
   • Using progressive discipline measures for violations

12. Improve the employment eligibility verification controls by modifying the Human Resources & Organizational Development Department’s self-audit procedure to assign accountability for resolving exceptions

11. Management’s Response

Senior Leader: Diane E. Snyder, VCFA
Manager: Linda Boyer-Owens, AVC
Target Completion: August 2014

Action Plan:
Management will implement a process to notify Senior Leadership for reporting violations in their area of responsibility; and include disciplinary actions for compliance violations.

12. Management’s Response

Senior Leader: Diane E. Snyder, VCFA
Manager: Linda Boyer-Owens, AVC
Target Completion: August 2014

Action Plan:
Procedures will be updated to outline the steps to resolve exceptions noted and assign responsibility to do so.

Background – Prior Audit Issues

In 2007, Alamo Colleges’ verification of employment eligibility process was decentralized. Various compliance issues were evident because College and HR/OD Department personnel files did not have the required documentation.

Conclusions

Management’s changes substantially improved the eligibility verification practices. This follow-up review confirmed that self-audits performed by the Human Resources & Organizational Development (HR/OD) Department appeared effective. The eligibility verification operating procedure seemed adequate; in fact, it referred to a monthly self-audit.

The self-audit documentation reflected quarterly activities, which was inconsistent with the procedure. This material does not show signatures with dates that the Employment Director and Associate Vice Chancellor reviewed the self-audit results. The procedure does not include feedback to the Chancellor, Vice Chancellors, or College Presidents about the compliance and technical exceptions occurring in their respective areas.

Documentation for a 2012 self-audit did show two occurrences of delayed eligibility verification. In these instances, College personnel allowed the individuals to start work before the HR/OD Department’s authorization and Chancellor’s approval. Their actions did not comply with Board Policy D.2.5 Hiring Authority, Status, Assignments, and Duties and Procedure D.2.5.1.
Federal Employee Eligibility Verification Compliance Processes and Controls Continued

Verification noncompliance was also apparent for a SAC Part-time Temporary employee who was a non-resident foreign student. Documentation to confirm verification by SAC or HR/OD of her eligibility to work in 2012 could not be located. While the self-audit identified this exception, the procedure did not outline steps to resolve exceptions noted or assign responsibility to do so.

Conditions

Federal regulations require Alamo Colleges to verify and document an individual’s eligibility for employment within 3 days from their start date using an I-9 Form. The federal government may assess civil penalties of no less than $110 and not more than $1,100 for each violation to properly complete, retain, and/or make available an I-9 Form for inspection. During an audit, the government will consider the District’s good faith efforts to comply when assessing these penalties.

Since 2010, the HR/OD Department assumed “responsibility for obtaining, recording, managing, and updating employment eligibility for all employees.” Employment and Recruiting Services developed a standard operating procedure for I-9 compliance in January 2011 with updates earlier this year.

In 2010, the HR/OD Department implemented a self-audit of I-9 Forms for new hires. Review of the self-audit results for the fourth quarter of 2012 showed thirteen errors identified by HR/OD.

- One PAC employee’s I-9 Form was missing; HR/OD Department received it five months later.
- Two employees hired directly by SPC and PAC were not verified within three days. HR/OD Management indicated that appropriate discipline action occurred due to noncompliance
- Ten employees had technical errors on their I-9 Forms, which HR/OD Staff corrected following procedures in the U.S. Citizenship and Immigration Services Handbook for Employers.
- Self-audit documents did not include signatures and dates to show review by the Employment Director and/or the Associate Vice Chancellor.

Internal Audit examined I-9 documentation for a statistical sample of ten current employees. Nine appeared correctly verified and had the proper paperwork. One I-9 Form was missing a date; HR/OD Staff corrected it during this review following the Immigration Services Handbook.

Internal Audit also reviewed employee 2012 W2 Forms with addresses not in Texas, which showed one person with an international location. This was a former SAC Temporary employee who did not have the required eligibility documents in the WebExtender I-9 Folder. HR/OD Staff detected and reported this exception during the 2012 first quarter self-audit. Eligibility verification was not resolved before the employee resigned in August 2012, and relocated to Canada.

HR/OD Management acknowledged that this employee’s eligibility documents should be in the WebXtender I-9 Folder but are missing. The Banner Employee Form had an I-9 Form Indicator of Temporary, an Entry Date of February 29, 2012, and an Expiration Date of May 31, 2014. HR/OD Management stated that these Banner entries indicated that documents appeared to have been reviewed even if this cannot be confirmed.
Federal Foreign Persons with US Income Compliance Processes and Controls

Recommendations
13. Ensure that federal reporting is accurate for foreign persons with US income by:
   • Obtaining required exemption and withholding deduction forms
   • Determining the proper payroll tax withholding for these individuals
14. Improve compliance processes for foreign persons with US income by:
   • Developing procedures and process documentation
   • Training College and District Staff about the federal regulations and the procedures
15. Improve compliance controls for foreign persons with US income by:
   • Implementing appropriate HR Module employee master data standards for -
     Citizenship Type I-9 Form Indicator 1042S Recipient Indicator Marital Status
   • Coding the employee Banner records appropriately

13. Management’s Response
   Senior Leader: Diane E. Snyder, VCFA
   Manager: Linda Boyer-Owens and Pamela Ansboury, AVCs
   Target Completion: January 2015

   Action Plan:
   Management hired a consultant in August 2013 to provide training to Human Resources, International Programs and Payroll staff on compliance with federal reporting requirements for foreign persons. Human Resources staff will begin to require the completion of the data collection form by foreign persons hired as employees, beginning in January 2015. Information received on this form will allow for the proper classification of the employee in the HR Module, improving federal reporting for foreign persons with US income.

14. Management’s Response
   Senior Leader: Diane E. Snyder, VCFA
   Manager: Linda Boyer-Owens, AVC
   Target Completion: January 2015

   Action Plan:
   Procedures will be developed and training performed.

15. Management’s Response
   Senior Leader: Diane E. Snyder, VCFA
   Manager: Linda Boyer-Owens, AVC
   Target Completion: January 2015

   Action Plan:
   Management will evaluate the opportunity to improve the processing for these employees using existing functionality in the Banner System.

Conclusions
Alamo Colleges has regulatory reporting and recordkeeping requirements when employing persons who are not US Citizens. The District has not appropriately identified these individuals using current practices. Banner employee citizenship-type codes were inconsistent with these federal regulations. The HR Module Employee Form 1042S Recipient Indicator to flag reportable foreign employees was not used. As a result, 2012 income reported for and tax withholding from some non-US Citizen employees did not fully comply with federal regulations.
Federal Foreign Persons US Income Compliance Processes and Controls Continued

This affected the annual W2, 1042S, and related quarterly forms filed for the year. Alamo Colleges’ payroll tax liability could have been impacted since some of these employees may not be subject to federal taxes. For those subject to tax withholding, the computation may be inaccurate due to invalid Banner marital status indicators and W4 withholding form declarations.

The Colleges, and the District HR/OD and Finance & Fiscal Services Departments did not have sufficient technical training and knowledge about federal regulations for employees considered foreign persons with US source income, especially, those hired with F-1 Student Visas. Inadequate procedures and insufficient training about using the HR Module for this purpose contributed to the missing or ineffective controls. Finance & Fiscal Services Management provided training on these issues to its Staff and the HR/OD Department personnel in late August 2013.

Conditions – Federal Regulations Compliance

Federal regulations require Alamo Colleges to confirm employees’ citizenship status. The four status types for federal reporting purposes include US Citizen, US Non-Citizen National, Lawful Permanent Resident, and Alien Authorized to Work. These foreign person regulations also require special tax withholding and reporting requirements by the District.

For 2012, Alamo Colleges submitted hard copy 1042 Forms to the Internal Revenue Service for US Source Income and Income Tax Withholding for Foreign Persons. Data reported included forty international students receiving funds from the Scholarships for Education and Economic Development Grant. This annual report did not include any employee information, including those working with F-1 Student Visas.

Conditions – Banner System HR Module Employee Master Record Data

The Banner Identification Form Biographical Tab menu for Citizenship had four choices: N - Non-Citizen, NR - Non-Resident Alien, U - Unknown, and Y - Citizen. These were not consistent with the federal regulation designations. There was no procedure to explain how to use these codes. Likewise, there was no documentation explaining the use of Banner Employee Form US Regulatory Tab I-9 Form Indicator codes. The HR Module data for 6,484 active employee Biographical Codes and I-9 Form Indicators were summarized in the table below. The 722 employee I-9 Indicators coded other than Received appeared to be exceptions. In addition, Biographical (Citizenship) Codes for 62 active employees denoted potential regulatory requirements for foreign persons with US income.

<table>
<thead>
<tr>
<th>I-9 Indicators → Banner HR Module Biographical Codes***↓</th>
<th>Received = R</th>
<th>Not Received = N</th>
<th>Temporary = T</th>
<th>Exempt = E</th>
<th>None = Blank</th>
<th>Citizenship Code Totals **</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Citizen = N</td>
<td>26</td>
<td>5</td>
<td>3</td>
<td></td>
<td></td>
<td>34</td>
</tr>
<tr>
<td>Non-Resident Alien = NR</td>
<td>8</td>
<td>1</td>
<td>6</td>
<td></td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Unknown = U</td>
<td>9</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td>13</td>
</tr>
<tr>
<td>Citizen = Y</td>
<td>5,719</td>
<td>684</td>
<td>8</td>
<td>9</td>
<td>2</td>
<td>6,422</td>
</tr>
<tr>
<td>Total = 722 records</td>
<td>5,762</td>
<td>693</td>
<td>17</td>
<td>10</td>
<td>2</td>
<td>6,484</td>
</tr>
</tbody>
</table>

Sources and Notes: Data extracted from Banner Person and Employee Tables and joined.
** Citizenship Codes appear on Banner HR Module Form Identification PPAIDEN in the Biographical Tab.
*** I-9 Form Indicators appear on Banner HR Module Form Employee PEAEMPL in US Regulatory Tab.
¥ means that 3 records include a bad Banner ID with employee name “Board of Trustees”
® = included 264 employees who began work prior to 11/06/1986 effective date of the federal regulations; 95 people with a no pay class; 125 in the retiree employee class
Federal Foreign Persons US Income Compliance Processes and Controls Continued

During the audit, thirteen random employee records reviewed showed that:

- 12 received 2012 W2 Forms
- 9 were on the Monthly Immigration List run on February 28, 2013 showing expiring Visas (HR/OD Department Management follows-up on these)
- HR Module Employee Citizenship Types were incorrectly coded as follows:
  4 Marked Citizens when documents showed permanent resident status or F-1 Student Visas
  2 Shown as Unknown or Non-Citizen when employees had permanent resident status
  1 As a Non-Citizen however the individual was a naturalized citizen
  2 Identified as Non-Citizens when the employees had F-1 Student Visas
Federal and Texas New Hire Reporting Compliance Processes and Controls

Recommendations

16. Ensure that the Texas reports for newly hired and rehired employees are:
   • Submitted on the appropriate dates, accurate, and complete
   • Amended to include employees omitted from filings; including the four identified

17. Improve the regulatory new hire reporting processes by:
   • Developing a detailed procedure and process documentation
   • Establishing a procedure to modify report files when back-dated hiring occurs

18. Improve the regulatory new hire reporting controls by:
   • Properly updating the HR Module service dates for employees
   • Stop changing Employee Form current hire service dates for promotions or transfers
   • Creating HR Module exception reporting to identify back-dated employee hiring

19. Reconcile Banner data with the PZRHIRE extractions prior to submitting the files

20. Implementing HR/OD Department Supervisory review of the reconciliations

16. thru 20. Management’s Response

<table>
<thead>
<tr>
<th>Senior Leader:</th>
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<th>Target Completion:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diane E. Snyder, VCFA</td>
<td>Linda Boyer-Owens, AVC</td>
<td>January 2015</td>
</tr>
</tbody>
</table>

Action Plan:
Management will tighten up procedures to prevent back-dating activity; and ensure state reporting is compliant by instituting reconciliations with supervisory approvals.

Conclusions

Human Resources & Organizational Development (HR/OD) Department Management stated the prior audit issues regarding new hire reporting compliance were addressed. The District’s new hire reporting practices appeared noticeably improved based on documentation examined. However, this review identified several new control deficiencies that affected the timeliness and accuracy of the data provided the State.

Alamo Colleges submitted two of six fiscal year 2013 reports significantly later than the due dates. Files provided the State during this period excluded at least four new hires. A few of these errors resulted from the Colleges not following the hiring procedure. The January 31 report included new employees from the prior period. This occurred because HR/OD Department Staff’s date range for the New Hire Processing Extract covered the entire month.

Changes to current hire dates for employees promoted or transferred resulted in incorrectly reporting them as new hires. HR/OD Staff inconsistently changed this date without realizing the impact. Department personnel did not have adequate knowledge and training about the various service dates on the HR Module Employee Form. These service dates can affect other processes, and potentially compliance with the Family and Medical Leave Act.

The HR/OD operating procedure did not address reconciling extracted records for a period, month, quarter, or year to ensure that the data was complete and timely. Reconciliation techniques would detect most of the discrepancies noted during this follow-up. Segregation of extraction and reconciliation duties would also be appropriate. Supervisory review of the filings may have detected some errors.
Federal and Texas New Hire Reporting Compliance Processes and Controls Continued

Conditions

Federal and Texas regulations required Alamo Colleges to report information for newly hired or re-hired employees within 20 calendar days from the date that they earn wages. These electronically filed state reports are due twice each month, less than 17 days apart. The government can assess a civil penalty of $25 for each new hire that an employer knowingly does not report. Conspiring with an employee to not file, or to submit a false or incomplete report can result in a $500 penalty.

The HR/OD Department used the Banner New Hire Processing Extract PZRHIRE to generate a text file for electronic transfer to the State. PZRHIRE pulls employee records with “current hire” dates within the period specified by Staff in the report parameters. HR/OD Department Staff uploads these files to the Texas Office of the Attorney General’s portal. Files transmitted from November 2012 to January 2013 had general exceptions, including:

- Two reports (12/15/12 and 1/31/13) were more than two weeks after the due date.
- The 1/31/2013 file included 88 employees reported in the previous period.

The December 2012 report details demonstrated specific errors, such as:

- Two new employees were not reported because their “current hire” dates were entered in Banner after the file was extracted.
- Three employees promoted/transferred were incorrectly reported because HR/OD Staff modified their “current hire” dates when job assignment changes occurred.

Other audit work identified two additional individuals who were not reported to the State because their Banner Employee “current hire” date was entered after the PZRHIRE extraction occurred. HR/OD Department Management indicated that changes to the “current hire” service date were discussed with several Banner consultants. They wanted clearer definitions for the various service dates, and when to use them. Management did not mitigate state reporting problems while trying to resolve the service dates definition issues.

There was no business process analysis for new hire reporting as part of the HR Module implementation. A one-page HR/OD procedure did not mention reconciling data extracted for compliance reporting with HR Module new employee entries. In addition, the Banner New Hire Processing instructions did not address reconciling data extracted. The State’s System provided an acknowledgment for the files transferred, but did not confirm the number of records accepted.
Telecommuting Procedure Compliance - Adjunct Faculty Not Working in Texas

Recommendations

21. Revise Board Policy D.2.6 Telecommuting and District Procedure D.2.6.1 by:
   - Specifying disciplinary actions for compliance violations
   - Updating the required agreement to reflect the procedure changes

22. Ensure that College Faculty, Supervisors, and Administrators comply with Board Policy D.2.6 Telecommuting and District Procedure D.2.6.1 by:
   - Notifying Chancellor and College Presidents of policy or procedure noncompliance
   - Using progressive discipline measures for violations

21. Management’s Response

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<thead>
<tr>
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</thead>
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<tr>
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<td>Linda Boyer-Owens, AVC</td>
<td>August 2014</td>
</tr>
</tbody>
</table>

Action Plan:
The Telecommuting Policy and Procedure have been amended to limit the remote work locations to Texas. The two-hour response requirement changed to as requested. Management will also amend the seven-page Telecommuting Agreement.

22. Management’s Response

<table>
<thead>
<tr>
<th>Senior Leader:</th>
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<td>August 2014</td>
</tr>
</tbody>
</table>

Action Plan:
Management will implement a process to notify Senior Leadership for reporting violations in their area of responsibility; and include disciplinary actions for compliance violations.

Conclusions

In 2012 and 2013, Adjunct Faculty taught distance-learning courses without completing the required telecommuting agreements, and in some cases the College Administration’s approval. Since these arrangements extended beyond one fiscal year, the Chancellor’s approval was also required but not obtained. The 2012 W2 Form wages for seven of these individuals ranged from almost $7,100 up to $21,860. Each situation demonstrated Instructor and Supervisor noncompliance with Board Policy and District Procedure without disciplinary consequences. Department Chairs had to have known that these employees moved to other states and allowed them to continue teaching without notifying the HR/OD Department.

No controls existed for the Colleges’ Administrators to prevent or detect telecommuting violations. The District Departments could have identified the exceptions by reviewing any employee W-2 Forms with out-of-state mailing addresses.

These seven employees working in other states created significant regulatory compliance and risk issues for Alamo Colleges. Not withholding state income taxes and reporting taxable wages for these jurisdictions could potentially result in fines and penalties for the Alamo Colleges. Proper administration required greater technical knowledge and training for Staff about the various and unique employment regulations. During this audit, Finance & Fiscal Services Management began an assessment of the state regulations for these instructors. They briefed the Vice Presidents for College Services about the related compliance risks, problems, and costs in summer 2013.
Telecommuting Procedure Compliance - Adjunct Faculty Not Working in Texas Continued

Subsequent to completing these audit steps, the Telecommuting Policy and Procedure were amended to limit the remote work locations to Texas. The two-hour response requirement changed to as requested. However, the seven-page Telecommuting Agreement has not been updated since 2009.

Conditions

Prior audit procedures included examining the Electronic W2 Form File for unusual reporting. The current review evaluated the 2012 Electronic File submitted to the Social Security Administration and Treasury Department/IRS in March. Records provided to these agencies had forty individuals with W2 Form mailing addresses outside of Texas including:

- 7 Adjunct Faculty who were teaching Internet courses while living in other states
- A current Faculty’s address was not updated after moving to Texas in early 2012
- A current employee’s address was incorrectly changed to Florida by HR/OD Dept Staff
- A former employee’s electronic address did not match the W2 Form issued in Jan 2013
- 9 left Alamo Colleges employment then moved to other states; no exceptions
- Others appeared to be former Work-Study or part-time Staff who left Texas; no exceptions

Board Policies and District Procedures do not require employees to reside and work in Texas. Policy D.2.6 Telecommuting and the related Procedure D.2.6.1 do address working off-site or remotely. The Procedure provides various criteria for off-site work; and required a signed agreement between the employee and Supervisor. It also stated that telecommuting agreements should not exceed one fiscal year without the Chancellor approving an extension. The Procedure required that remote work locations/equipment be evaluated to ensure the proper security for confidential District records, and that employees be within two hours of their Campuses. The 7-page agreement stated that HR/OD Department’s Employee Services was to receive copies of signed agreements.

Seven 2012 Adjunct Instructors, as summarized in the next table, worked at the Colleges before moving out-of-state. Telecommuting agreements for their distance learning assignments in 2012 and 2013 could not be located. The Internet or distance-learning courses taught by these employees included history, economics, english, medical technology, philosophy, and psychology. These Instructors worked in locations with state income tax requirements. One Adjunct was also job-sharing courses involving student labs, which seemed unusual.
### Telecommuting Compliance - Adjunct Faculty Not in Texas Continued

<table>
<thead>
<tr>
<th>Campus</th>
<th>Working From*</th>
<th>State Taxes</th>
<th>Commuting Agreement</th>
<th>President Approval</th>
<th>Chancellor Approval</th>
<th>Multi Year</th>
<th>Status</th>
<th>Job Sharing</th>
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<tbody>
<tr>
<td>1</td>
<td>SAC 1</td>
<td>IN</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Active</td>
<td>No</td>
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<tr>
<td>2</td>
<td>SAC 2</td>
<td>OK</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Active</td>
<td>No</td>
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<tr>
<td>3</td>
<td>SPC 1</td>
<td>CA</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Active</td>
<td>No</td>
</tr>
<tr>
<td>4</td>
<td>SPC 2 (NVC)</td>
<td>HI</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Active</td>
<td>No</td>
</tr>
<tr>
<td>5</td>
<td>SPC 3</td>
<td>NY</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Active</td>
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<tr>
<td>6</td>
<td>PAC 1</td>
<td>KY</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Active</td>
<td>No</td>
</tr>
<tr>
<td>7</td>
<td>NVC 1</td>
<td>AZ</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Active</td>
<td>No</td>
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</tbody>
</table>

Notes: Telecommuting Policy D.2.6 and Procedure D.2.6.1

* IN = Indiana; OK = Oklahoma; CA = California; HI = Hawaii; NY = New York; KY = Kentucky; AZ = Arizona

The 2012 Electronic W2 Form File did not reflect state income tax withholding for these seven employees. The Finance & Fiscal Services and Human Resources & Organizational Development Departments did not have an effective control to track or monitor employees who subsequently moved to other states. Being unaware of these circumstances, Alamo Colleges’ personnel had not acquired the knowledge and documentation about other states’ requirements for reporting wages, withholding payroll taxes, workers’ compensation, and unemployment until this audit brought up these issues.
Personnel Hiring Processes and Controls

Recommendations

23. Improve personnel hiring processes by:
   • Enforcing accountability measures for College personnel compliance
   • Enhancing the procedures
   • Providing on-going training for College Administrators and Supervisors
   • Developing metrics to benchmark internal customer service

24. Improve personnel hiring controls by:
   • Considering assignment a unique position for each employee
   • Completing the EPAF and Banner Workflow implementation
   • Reporting exceptions caused by hiring procedure non-compliance, such as:
     Eligibility verification    Criminal background checks    Drug testing
     Retro/special pay requests    Foreign persons assessments

23. Management’s Response

<table>
<thead>
<tr>
<th>Senior Leader:</th>
<th>Manager:</th>
<th>Accept</th>
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</thead>
<tbody>
<tr>
<td>Diane E. Snyder, VCFA</td>
<td>Linda Boyer-Owens, AVC</td>
<td>Target Completion:</td>
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<tr>
<td></td>
<td></td>
<td>August 2014</td>
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</tbody>
</table>

Action Plan:
Management will enhance supervisory training regarding individual responsibility to ensure timely submission and approval of employee status changes (adds, transfers, terminations, etc.).

24. Management’s Response

<table>
<thead>
<tr>
<th>Senior Leader:</th>
<th>Manager:</th>
<th>Accept</th>
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</thead>
<tbody>
<tr>
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<td>Target Completion:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>January 2015</td>
</tr>
</tbody>
</table>

Action Plan:
Management will develop workflows in Banner and consider available reporting functionality in Banner to assist with detecting hiring procedure non-compliance.

Background – Prior Audit Issues

General issues identified in the 2007 audit report included:
• Costly and inefficient manual practices for hiring employees
• Ineffective controls for accurate and timely input of new employee data into the HR System
• Delayed or overlooked criminal background checks for new employees, such as Work-Study
• New personnel worked before the processing was completed so their pay was delayed

The audit recommended automated processing of personnel changes, and implementing electronic approvals using workflow. These would provide improved controls and shorten the processing time.
Personnel Hiring Processes and Controls Continued

Conclusions – Overview

As of spring 2013, Management stated that the prior audit recommendations for personnel hiring process improvements were implemented. In general, positive improvements were observed due to policy and procedure clarifications in 2009, HR/OD Department changes, and from centralizing more activities with the District. Only the Chancellor or his designee (the HR/OD Department) had authority to communicate employment offers to job applicants. Criminal background checks became mandatory for all employees before they start work; and drug testing was recently approved and implemented for new hires working with students. While the Banner HR Module contribution to these improvements was important, more System functions could be deployed.

This follow-up review identified several on-going control deficiencies, and some new issues. Integration of the PeopleLink and HR Module resulted in more standardization, especially due to the Electronic Personnel Action Form (EPAF). However, the timeliness and accuracy of these processes and controls remained highly dependent on College departments and Staff complying with the stated hiring procedures. EPAF processing relied on designated approvers checking their queues for items to review; robust automated status messages would improve this process.

Implementation of the EPAF for College faculty and District personnel was still in-progress during audit fieldwork. Manual practices and paper forms continued for these situations. In addition, the HR/OD Department recommended them for some changes and during high volume activity periods. These extended implementations and exception handling delayed some control enhancements and efficiencies.

Examination of records for new employees in fiscal year 2013 showed examples of delayed new hire processing. In these instances, College Supervisors allowed individuals to start work before the HR/OD Department’s authorization and the Chancellor’s approval. Their actions did not follow Board Policy D.2.5 Hiring Authority, Status, Assignments, and Duties and Procedure D.2.5.1.

These exceptions typically involved new hires for pooled positions, such as Continuing Education or Adjunct Faculty jobs. Retroactive or special pay usually occurred due to noncompliance with personnel procedures because time sheets could not be created or completed. In addition, required employment and/or background checks were delayed. Such inadequate planning and coordination between the Colleges and District departments created business and reputational risks for Alamo Colleges.

Conditions – Board Policies and District Procedures

Several policies and related procedures regarding the personnel hiring processes were approved in April 2009, including:

- D.2.2 Hiring Practices
- D.2.3 Qualifications for Hire
- D.2.5 Hiring Authority, Status, Assignments, and Duties
- D.5.1 Employee Compensation & Exempt/Non-Exempt Status

Procedure D.2.3.1 stated that all job offers were contingent upon successfully completing a criminal history background check and drug test, if applicable. The Associate Vice Chancellor of the HR/OD Department indicated that a criminal background check occurred for all employees, including Work-Study Students. Procedure D.2.5.1 authorized only the Chancellor or his designee (HR/OD Department) to communicate an offer of employment.
Personnel Hiring Processes and Controls Continued

Conditions – New Hire Processing and Controls

Several personnel process analyses were prepared during the HR Module implementation for the hiring processes. The procedures for Administrators, Professionals, Classified, Full-time Faculty, and Work-Study employees were similar. All applicants used the PeopleLink System, and an Electronic Personnel Action Form (EPAF) was generated to populate some Module Forms data.

Conditions – Judgmental Sample Evaluation Results

The Associate Vice Chancellor of the HR/OD Department provided a list of 2013 new hires made by College Departments. These included seven occurrences with control exceptions because HR/OD Management had not authorized their employment prior to starting work. Campus hiring managers did not comply with Procedure D.2.5.1 when they extended employment offers and allowed these individuals to start work without authorization.

The Northeast Lakeview College Biology and the St. Philip’s College Trades Departments hired Adjunct Faculty who began work in March. The HR/OD Department received the paperwork and set-up the employees’ Banner records a month later. The San Antonio College Office of Technology Services Department hired a Work-Study Student who started working on 4/1/2013; the HR Module record was created 2 weeks later. Northwest Vista College’s Educational Robotics Department hired Continuing Education Instructors. One appeared to have started work on 4/30/13 before HR/OD received the required paperwork. The HR/OD Department created his Banner employee record on 5/8/2013. Another instructor recommended for hire in April 2013 did not have an employee record as of May 2013. The initial timesheets for these persons were submitted to Payroll after June. During this audit, it appeared that progressive disciplinary action occurred for only one of the events noted above.

In addition, four new hires reviewed as part of other testing also showed hiring practices that were noncompliant with Procedure D.2.5.1. These involved Continuing Education Instructors at San Antonio, St. Philip’s, and Palo Alto Colleges (PAC), and a PAC Work-Study Student.

Conditions – Electronic Personnel Changes

The HR/OD Department was responsible for establishing and updating employee records. Most personnel changes were performed using the new EPAF. The online EPAF process began in spring 2012 for Continuing Education personnel. These processes became available for other College Departments or District offices in fall 2013.

EPAF training manuals were developed for both originators and approvers. However, the HR/OD Department’s website stated that EPAF was not available for all personnel transactions. For example, a change to an employee’s Fund Organization Account Program required a paper form.

The EPAF process depended on individuals checking their queues and approving each request timely. Some requests involved reviews by several people, which could delay processing. Due to high volume activity in late summer, the HR/OD Department encouraged the use of paper PARs to ensure processing before fiscal year end.
Compensation Processes and Controls for Special Pay

Recommendations

Improve the District’s compensation processes and controls related to special pay by:

25. Revising Procedure D.5.1.3 Classification & Compensation Administration to limit eligibility requirements and the justification criteria

26. Developing special pay reports for general oversight/review by the Chancellor, Presidents and Vice Chancellors

<table>
<thead>
<tr>
<th>25. Management’s Response</th>
<th>Accept</th>
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<tbody>
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</tr>
<tr>
<td>Target Completion:</td>
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</tr>
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</table>

Action Plan:
Procedure will be revised.

<table>
<thead>
<tr>
<th>26. Management’s Response</th>
<th>Accept</th>
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<tbody>
<tr>
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</tbody>
</table>

Action Plan:
Reporting will be developed.

Background – Prior Audit Issues

The 2007 audit included a review of special/one-time pay for appropriateness and proper approval. Examples included temporary assignments, cell phone allowances, grants, stipends and claim settlements. The prior practice exceptions included the following:

- Inadequate procedures for special pay, including justification and documentation requirements
- Frequent use of temporary employee positions instead of establishing earnings codes
- Some Personnel Action Requests were not signed prior to the special pay effective dates

Conclusions

Management stated that the prior audit recommendations related to special pay were addressed. Calendar year 2012 data reviewed for several of these earnings codes indicated a significant increase in special pay activity from the prior audit. Management attributed this in part to the hiring freeze that required existing Staff to assume additional duties. Establishing earning codes for some special employee compensation was an improvement from the 2007 practice of using position assignments.

Position codes used for special pay and stipends did not have adequate descriptions for the various types, and the available codes did not appear to be used consistently. These exceptions made it difficult to determine the annual amounts paid for each type. Using position codes continued to overstate employee-staffing counts.

The increasing amounts and frequency of special pay awards suggested that abuse or misuse could occur without appropriate oversight. HR/OD Department Management reviewed and the Chancellor approved individual requests.
Compensation Processes and Controls for Special Pay Continued

A “big picture” report of special or interim compensation would have been an opportunity for Alamo Colleges Leadership to discuss the trends, use, or abuse. This could have then generated additional inquiries about root causes for these compensation exceptions.

Argos Queries and the Monthly Position Control Report were not adequate to effectively monitor and manage these compensation exceptions. In addition, College Departments sometimes caused retroactive pay by submitting hiring or promotion documents after assignments started.

Conditions

Since 2007, the Board approved Procedure D.5.1.3 Classification and Compensation Administration Regulations that addressed interim and special pay. A Personnel Action Request (PAR) or Electronic Personnel Action Form (EPAF) for special pay or interim assignments must be submitted to the HR/OD Department with written justification. Special pay requests required the Chancellor’s approval before the start of an assignment. These assignments were limited to 90 days with the potential for extensions up to one year; interim duties could last up to two years.

The HR/OD Department established earnings codes for cell phone allowances, shift differential, hazardous duty, and incentive pay. Stipends, settlements, and substitute pay are still shown as temporary employee positions. HR/OD Management indicated that earning codes could not be established for these types of compensation because they were charged to a different Fund-Organization-Account-Program (FOAP) than the employee’s home organization.

Overall, HR/OD Department Management appeared knowledgeable about special pay requests, and they expressed concerns about the reasons for and frequency of some occurrences. The Chancellor, College Presidents, and Vice Chancellors did not have access to a summary report for special pay to use as a management tool.

A review of calendar year 2012 activity extracted using Argos Earnings Code Queries showed:

Special Pay – Totaled $832,800 for 472 employees
- Compared to approximately $220,300 paid to 70 employees in calendar year 2006
- 13 were paid $10,000 or more; some involving multiple temporary assignments
- 37 showed less than 1 hour or unit but no rate or amount paid
- 1 employee’s assignment was entered in Banner System before Chancellor approved it

Stipends – Paid $694,800 to 247 employees
- Three employees were paid over $10,000
- Ten showed less than 1 hour or unit but no rate or amount paid
- Position code descriptions were not clear and appeared to be used inconsistently
Compensation Processes and Controls for Special Pay Continued

Retro Pay – Totaled $226,500 for 257 employees

- Declining trend since 2010
- Approximately 65 percent related to special pay and Part-Time Adjunct Faculty
- Inconsistencies; some have hours or units entered while others do not
- Included payment to hourly employee who did not submit timesheets for a pay period

Cell Phone Allowances – Paid $62,592 to 104 employees

- $46,768 was assigned to positions which could impact staffing counts
- $15,824 was assigned to a new earning code when position assignments ceased
- Three cell phone positions had hours or units but no rate or amount paid
- Two cell phone earning code payments showed less than an hour or unit

The Argos Earnings Code Queries do not provide Banner FOAP information to analyze which departments, programs, or grants were affected. A Position Control Report with over ten thousand records showed annual salary and budget information for each position, including special pay. However, it does not include actual payments for the fiscal or calendar year.
Personnel Termination Processes and Controls

Recommendations

27. Improve personnel termination processes by:
   - Strengthening the business processes created during the HR Module implementation
   - Documenting detailed procedures for these processes
   - Providing on-going training for College/District Supervisors on the procedures
   - Discontinuing the custom script termination practice
   - Automating terminations using EPAF and Banner Workflow
   - Ensuring that pooled position employees are evaluated periodically for termination

28. Improve personnel termination controls by:
   - Monitoring the “Retiree” employee class records until inactive status is possible
   - Reviewing and correcting HR Module Employee status codes for pooled positions
   - Reporting exceptions for periodic College and District Management reviews of incompatible active status codes and position indicators

<table>
<thead>
<tr>
<th>27. and 28. Management’s Response</th>
<th>Accept</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Senior Leader:</strong> Diane E. Snyder, VCFA</td>
<td><strong>Manager:</strong> Linda Boyer-Owens, AVC</td>
</tr>
<tr>
<td><strong>Action Plan:</strong> Personnel termination processes will be strengthened.</td>
<td></td>
</tr>
</tbody>
</table>

Background – Prior Audit Issues

In 2007, employee job assignments were ended in the Legacy HR System although termination codes were infrequently updated. There was no consistent practice for terminating employees; and examples were observed of people who were paid improperly because of this.

Conclusions

Management stated the prior audit recommendations regarding personnel terminations were addressed. The District’s termination practices appeared improved by 2013. This resulted from the HR/OD Department reorganization, greater centralization of processes, and the HR Module implementation. However, this follow-up review identified on-going control deficiencies.

The College and District Departments inconsistently submitted Personnel Action Forms to terminate employees after implementation. So the HR/OD Department developed an automated script to identify these individuals. The initial run of this automated script resulted in terminating some employees but not their job assignments. The script did not follow the HR Module User Guide recommended steps for processing a termination status change. As a result, employees assigned to 14 positions could not be inactivated or terminated.

In spring 2013, Management allowed over 1,000 Adjunct Faculty, Continuing Education Instructors, and Work-Study positions to be pooled instead of using unique assignments. The individuals were not terminated in the HR Module when their job assignments ended. The District felt that this was more efficient due to the high volume of personnel changes each term and year. This practice resulted in people remaining active in Banner with no job assignments.
Personnel Termination Processes and Controls Continued
The Colleges and District needed appropriate information about these pooled positions and the individuals if they were to follow-up when necessary with termination documentation. The potential for improper pay or benefits for these individuals posed risks to the District without mitigating controls.

In addition, Management allowed about 300 Retirees to remain active for State benefits reporting until an appropriate solution could be developed. This work-around created reconciling differences when analyzing staffing counts.

Conditions
The Banner Human Resources User Guide described two methods for terminating employees. The recommended method involved terminating jobs, benefits, and employees using the Banner Employee Jobs, Employee Benefit/Deduction, and Employee Forms. An alternate method was to update the Employee Status Change Form, which should then modify the previously mentioned HR Module Forms. This was the HR/OD Department’s preferred way of processing changes.

The HR/OD Department recognized that the Colleges or District did not always initiate documentation when employees left. Consequently, they developed a script that would check for employee records using predefined criteria. First run in February 2013, this script changed selected employees’ status to terminated on the Employee Form but left them with an active position on Jobs Form. As a result, the HR/OD Department used an ARGOS Report to identify records with a status of terminated that showed an active job so that they could manually terminate them. They could not terminate fourteen such jobs in March 2013 because their positions were not in this year’s Position Budget Form.

Internal Audit reviewed a file provided by the HR/OD Department of all active and inactive/terminated employees as of March 2013; these records were summarized below. Retired personnel should be permanently inactivated/terminated in the HR Module; so the 321 active retirees was an exception. HR/OD Management stated that the Banner Employee Form/General Employee Tab/Employee Status active indicator was used for retired individuals because of benefits reporting to the State.

The 1,098 active employees without positions were Adjunct Faculty, and Continuing Education Instructors. The HR/OD Department allowed the personnel pools for several job groups for efficiency purposes. However, no practice was in place to periodically review continuing the services of these pooled individuals. In general, the 3,848 inactive employees who still had position assignments posed limited risk to Alamo Colleges. It would be better if no inactive/terminated employee records had position assignments in Banner.

<table>
<thead>
<tr>
<th>Summary of Banner Employee Records</th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Employee Groups</td>
<td>Active</td>
<td>Inactive</td>
<td>Totals</td>
</tr>
<tr>
<td>Retired</td>
<td>{ 321 }</td>
<td>114</td>
<td>435</td>
</tr>
<tr>
<td>Without Positions</td>
<td>{ 1,098 }</td>
<td>2,504</td>
<td>3,602</td>
</tr>
<tr>
<td>With Positions</td>
<td>7,106</td>
<td>{ 3,848 }</td>
<td>10,954</td>
</tr>
<tr>
<td>Totals</td>
<td>8,525</td>
<td>6,466</td>
<td>14,991</td>
</tr>
</tbody>
</table>
Payroll Time Recording Processes and Controls

Recommendations
29. Improve the payroll time-entry and recording processes by:
   - Completing the business process analyses and documentation
   - Preparing detailed procedures
   - Providing on-going training to College and District employees and Supervisors

30. Improve the payroll time-entry and recording controls by:
   - Developing exception reports to help the Payroll Unit identify processing errors
   - Ensuring that errors are promptly corrected
   - Reconciling pay period time and employee counts for all groups each pay period
   - Establishing a reconciliation process for employee benefit deductions
   - Providing reports for College and District Management reviews of recurring errors

31. Establish a reconciliation process for State employee benefits

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>29. Management’s Response</td>
<td>Accept</td>
</tr>
<tr>
<td>Senior Leader:</td>
<td>Diane E. Snyder, VCFA</td>
</tr>
<tr>
<td>Manager:</td>
<td>Pamela Ansboury, AVC</td>
</tr>
<tr>
<td>Target Completion:</td>
<td>Completed</td>
</tr>
<tr>
<td>Action Plan:</td>
<td>Management continues to review and refine its business processes. Annually, a consultant works with Payroll staff for a week to review existing business processes and to improve as appropriate. Detailed procedures for payroll time-entry and recording are available in ACES to assist with payroll time-entry and recording processes, including an on-line video tutorial and a printable PDF. Training is provided throughout the year, individually by employee, through employee orientation and by offering trainings at college and district locations.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>30. Management’s Response</th>
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</thead>
<tbody>
<tr>
<td>Senior Leader:</td>
<td>Diane E. Snyder, VCFA</td>
</tr>
<tr>
<td>Manager:</td>
<td>Linda Boyer-Owens and Pamela Ansboury, AVCs</td>
</tr>
<tr>
<td>Target Completion:</td>
<td>August 2015</td>
</tr>
<tr>
<td>Action Plan:</td>
<td>Management continues to review and improve controls in payroll time-entry and recording and recognizes the need to improve reports back to College and District Management to detect patterns of noncompliance in these areas. Exception reports for all types of leave were developed in 2012 to identify errors. Active management of the exceptions allows corrections to be made prior to the completion of the payroll. Management will identify requirements for work hours, leave and deduction reports by employee grouped by College and District departments over multiple pay periods and seek timeline from Information Technology Department to create the reports.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>31. Management’s Response</th>
<th>Accept</th>
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</thead>
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<td>Senior Leader:</td>
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<tr>
<td>Manager:</td>
<td>Linda Boyer-Owens, AVC</td>
</tr>
<tr>
<td>Target Completion:</td>
<td>Aug. 2015</td>
</tr>
<tr>
<td>Action Plan:</td>
<td>A reconciliation process will be established.</td>
</tr>
</tbody>
</table>
Payroll Time Recording Processes and Controls Continued

Background – Prior Audit Issues

Key audit findings reported in 2007 were:

- Overpayments occurred by paying employees at the end of the pay period instead of in arrears
- The process of entering time and leave did not capture the actual dates of the transactions
- Timekeeping records reflected inaccuracies due to timing delays and under-reporting
- The lack of timely input resulted in leave taken inappropriately and other errors
- Lack of controls such as batch processing and validation of time or leave processes
- No exception reporting was available to detect unrecorded time or leave
- Inconsistent adjustment or error correction practices by the Payroll Unit Staff
- No formal procedures for reconciliation or error correction processes

Conclusions

Management stated that prior audit recommendations related to recording and reconciling time, and related error correction processes were completed. In fall 2010, the District changed to paying employee in arrears to allow time for supervisory review and error correction. This significantly reduced the risk of overpaying personnel who no longer had leave available, or who left employment during the pay period. Implementation of Web-Time-Entry and the HR Module substantially improved the processes with automation.

These processes were highly dependent on consistent job performance by the payroll processing Staff because no formal procedure was developed. In addition, the payroll correction practices were not as efficient and effective as they should be. They relied on manual reviews instead of using exception reports to facilitate detection of errors or anomalies. Data could be extracted from Self-Service but this was very complicated. As a result, various timekeeping and payroll errors were not being identified or corrected in a timely manner. For example, some Administrator and Professional paid leave was not recorded because timesheets were not submitted and approved. This included a few timesheets that were not submitted by the employees or Supervisors for new hires.

The HR/OD Department was not uploading the State benefits data into Banner with changes to employee premiums. The Payroll Unit was not reconciling the State related deductions to ensure their accuracy. The hours and pay for Professional and Classified employees were not reconciled each pay period, which meant that total pay period hours and records were not reconciled.

There was no summary reporting of recurring exceptions or errors to College or District Management for review and follow-up.

Conditions

Alamo Colleges automated the payroll process by implementing Banner and Web-Time-Entry Systems. Employees and their Supervisors were responsible for timely and accurate reporting of hours worked and leave taken.
Payroll Time Recording Processes and Controls Continued

The Finance and Fiscal Services Department Payroll Unit used the System HR Module to process payroll. A checklist was developed for guidance about the jobs to run, their sequence, and available reports; however, it did not include details for each step. There was a Banner Human Resources/Position Control User Guide, which had systematic instructions to complete routine payroll functions; however, it was not used.

The Payroll Unit had three days to review the Web-Time-Entry data before transferring it to Banner for processing. This review process was manually intensive because the Web-Time-Entry lacked reporting capabilities. Each pay period, the Payroll Unit Staff copied over 11,000 timesheet records into an Excel worksheet. This information was then separated into ten worksheets to facilitate their review. Staff focused on timesheets that had not been approved or had no hours reported; their practices excluded timesheets not submitted.

The Payroll Unit would run the Banner PHRDERR report, which displayed errors such as required deductions missing or inactive employees. The HR/OD Department received a copy of this report and resolved pertinent issues. HR/OD Staff developed a standard operating procedure describing common errors and solutions to facilitate this process. The Payroll Unit removed transactions with unresolved errors from the payroll cycle and processed them separately.

The Payroll Unit Staff reconciled hours from Web-Time-Entry for Continuing Education, Temporary Employees, Work-Study Students, and Substitute Pay to Argos Reports. These reconciliation procedures were not documented.

The final steps in processing payroll were to ensure that payroll checks were printed, that direct deposit information was transmitted to the bank, and that expenses were posted to the Banner Finance Module. The Finance and Fiscal Services Department Accounting Director received a Transaction Error Report to identify payroll expense posting issues. Reconciliations were performed to compare the dollar amounts in total from the payroll register to Banner.

After the payroll cycle was completed, a Staff member processed about sixty-six different deduction payments. The due dates and payment method for each were documented on a spreadsheet. A one-page desktop procedure with handwritten notes existed; however, it did not address error correction. This process involved extracting data from Banner for each type of deduction to obtain the list of employees and their payments.

The HR/OD Department was not uploading State benefits data into Banner or reconciling it, which caused errors so the Payroll Unit was asked to make corrections. A review of the Insurance and TexFlex Premium Due with Paid Detail Report for active employees showed that more premiums were paid than what were owed to the State each month indicating additional errors.

In early 2013, the Payroll Staff started verifying that advance leave approved for Professionals and Administrators was recorded on their timesheets. The Payroll Unit contacted the employee and/or Supervisor to make needed corrections. The process to detect and correct errors was only partially documented.
Payroll Time Recording Processes and Controls Continued

During the course of this audit, several discrepancies suggested that other errors may exist and be undetected, including:

- Misused civic duty earnings codes to record time taught at an off-campus location
- Misreported regular and holiday hours due to data entry errors
- Misreported holiday hours due to an error in establishing the HR Module Rule calendar
- Underreported leave for some Administrators and Professionals
- Manually entering sick leave using special or overload pay rates instead of the primary job rate
Paid Leave – Policy, Procedure, and Benefits Management

Recommendations

32. Revise Procedure D.5.3.1 Holidays, Leaves and Absences to:
   • State the disciplinary consequences for noncompliance, misreporting, or abuse
   • Require grant or contract funded personnel to take all leave annually or to be paid
   • Reflect the change from hard copy leave forms and reports to Web-Time-Entry

33. Implement annual monitoring of leave trends by the Presidents and Vice Chancellors

34. Consider revising Procedure D.5.3.1 Holidays, Leaves and Absences to restrict sick leave for employee illnesses only, or limit the hours available for family conditions

35. Consider revising Procedure D.5.3.1 Holidays, Leaves and Absences to expand bereavement leave criteria and eliminate using sick time for this purpose

32. Management’s Response

<table>
<thead>
<tr>
<th>Senior Leader</th>
<th>Manager</th>
<th>Target Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diane E. Snyder, VCFA</td>
<td>Pamela Ansboury, AVC</td>
<td>August 2014</td>
</tr>
</tbody>
</table>

Action Plan:
Management has a rolling three year review process for policies and procedures. This procedure is scheduled to be reviewed in 2014. These recommendations will be considered during this review process.

33. Management’s Response

<table>
<thead>
<tr>
<th>Senior Leader</th>
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</tr>
</tbody>
</table>

Action Plan:
See #30 response.

34. Management’s Response

<table>
<thead>
<tr>
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<td>Linda Boyer-Owens, AVC</td>
<td>August 2014</td>
</tr>
</tbody>
</table>

Action Plan:
See #32 response.

35. Management’s Response

<table>
<thead>
<tr>
<th>Senior Leader</th>
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<td>Diane E. Snyder, VCFA</td>
<td>Linda Boyer-Owens, AVC</td>
<td>August 2014</td>
</tr>
</tbody>
</table>

Action Plan:
See #32 response.
Paid Leave – Policy, Procedure, and Benefits Management Continued

Background – Prior Audit Issues
Audit findings reported in 2007 concluded that:

- Paid leave costs/trends were not being periodically reviewed by Management
- Paid leave records reflected inaccuracies due to timing delays and under-reporting
- No exception reporting was available to detect abuse of or unrecorded leave
- Holiday hours reported for a few employees were excessive due to multiple job assignments
- Sick leave was a very generous benefit because it included -
  - Illnesses or injuries of others
  - Bereavement for a friend or distant relative
  - Parent-student/teacher conferences

The report included several recommendations to address these benefit administration concerns. Recommendations in the prior audit report also included limiting the District’s sick and bereavement leave. Management declined these ideas at that time.

Conclusions
Management indicated resolution of the recommendations accepted from the prior audit about leave. Implementing automated time recording was a significant improvement from the 2007 practices.

Appropriate procedures, training, and reporting about automated time recording for employees and Supervisors were critical to ensure compliance with the policy and procedure. Evidence reviewed for 2012 and 2013 indicated deficiencies in these control components, which affected the accuracy and reliability of HR Module leave data.

Paid leave costs were $12.5+ million in 2012, and were part of eligible employees’ annual compensation. There was no evidence that Alamo Colleges was periodically analyzing leave used or the cost trends. Especially to evaluate the impact on employee productive time as paid leave use increased.

The policy required monitoring of leave. Supervisors reviewed and approved leave with the new Web-Time-Entry Application using Banner Self-Service. The Procedure needed revisions to reflect the new steps required.

Conditions
The Board approved revisions to Policy D.5.3 Holidays, Leaves, and Absences. In 2010, the HR/OD Department updated Procedure D.5.3 because of the HR Module implementation, and the Family and Medical Leave Act.
Paid Leave – Policy, Procedure, and Benefits Management Continued

Key data for employee paid leave are shown in the table below.

<table>
<thead>
<tr>
<th>Paid Leave Categories (available to regular, full-time employees)</th>
<th>Days / Year</th>
<th>Employees Using</th>
<th>Days Used</th>
<th>Approximate Total Cost</th>
<th>Average Cost / Emp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holiday (no faculty) (B)</td>
<td>20</td>
<td>1,746</td>
<td>31,284</td>
<td>$ 5,301,000</td>
<td>$3,036</td>
</tr>
<tr>
<td>Sick (average days used = 9) (faculty)</td>
<td>varies</td>
<td>2,098</td>
<td>19,200</td>
<td>3,375,000</td>
<td>1,609</td>
</tr>
<tr>
<td>Vacation (average days used = 11)</td>
<td>varies</td>
<td>1,537</td>
<td>17,300</td>
<td>3,020,000</td>
<td>1,965</td>
</tr>
<tr>
<td>Personal (estimate for eligible employees)</td>
<td>2</td>
<td>2,100</td>
<td>4,200</td>
<td>833,000</td>
<td>397</td>
</tr>
<tr>
<td>Bereavement (average days used = 2)</td>
<td>3</td>
<td>256</td>
<td>633</td>
<td>106,000</td>
<td>414</td>
</tr>
<tr>
<td>Civic (average days used = 1) (C)</td>
<td>No limit</td>
<td>184</td>
<td>236</td>
<td>43,000</td>
<td>234</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
<td></td>
<td>72,853</td>
<td>$12,678,000</td>
</tr>
</tbody>
</table>

Notes:  
A - Excludes Family and Medical Leave Act leave or payouts for vacation or Pre-1987 sick leave  
B - District Procedure includes 12 days for winter/spring break and 8 national/local holidays  
C - Excludes misreported civic time of 140 and 76 days for two employees  
Sources: Banner extracts using ARGOS HRS00222 Earnings Code Query

Holidays for Full-time employees, excluding Faculty, account for over 40 percent of the costs shown in the table above. The Banner System automatically recorded holiday time for all eligible Administrators and Professionals. Classified/hourly employees had to enter their holiday hours using the Web-Time-Entry Application in Self-Service.

Eligible employees using the other paid leave categories shown above had to enter the hours taken into their time sheets. The exception or positive time reporting relies on individuals entering the time correctly and Supervisors approving the time sheets using Self-Service.

Vacation is available to Full-time employees, including Faculty with annual assignments of 12 full-months. Key provisions are:

- Can accrue a maximum of twice the annual earning rate; excess forfeited on August 31st
- Employees transferring to positions that do not accrue vacation receive a payout
- Persons paid with restricted funds must use vacation or receive payout before grant ends
- Vacation paid out upon termination if initial 90-day period completed
- No required annual minimum vacation hours to be taken

Sick leave is available for non-faculty employees who work 20+ hours/week, tenure track, Tenure Faculty, and Adjunct Faculty with full benefits for:

- Employee personal illness, injury, or other health-related conditions
- Transition when an employee may have a disability
- Illness or injury of relatives within first degree of consanguinity/affinity (parent, spouse, child)
- Individuals living in the same household as employee
- Bereavement leave for a friend or distant relative; up to 24 hours
Paid Leave – Policy, Procedure, and Benefits Management Continued

For this follow-up audit, a comparison was made of three paid leave categories for calendar years 2006 and 2012. The metrics summarized below reflect significant increases since the prior review. This was somewhat expected because of delayed and/or unrecorded leave found at that time. The 2012 holiday data showed calculation errors for Administrators and Professionals for the winter break. There appeared to be conflicts within the Banner rule settings that recorded more holiday hours than taken in the pay period. The errors appeared on the Argos Earnings Code extracts and the individual employee pay stubs.

Audit work also demonstrated errors in 2012 and early 2013 for the Professional and Administrator employee groups. Some individuals with preapproved leave did not open their timesheets for the pay period so the hours did not roll from Self-Service into the HR Module.

<table>
<thead>
<tr>
<th>Metric</th>
<th>Holiday (17 days)</th>
<th>Sick</th>
<th>Vacation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost in millions</td>
<td>$3.2</td>
<td>$5.3</td>
<td>66</td>
</tr>
<tr>
<td>Employees using</td>
<td>1,666</td>
<td>1,746</td>
<td>5</td>
</tr>
<tr>
<td>Days reported</td>
<td>24,154</td>
<td>31,284</td>
<td>30</td>
</tr>
<tr>
<td>Average cost / emp</td>
<td>$1,921</td>
<td>$3,036</td>
<td>58</td>
</tr>
</tbody>
</table>

Sources: 2006 = audit work papers; 2012 from Banner extracts using Argos HRS00222 Earnings Code Query
Paid Leave – Processes and Controls

Recommendations

36. Improve the paid leave processes by:
   - Strengthening the processes developed for Self-Service or the HR Module
   - Documenting more detailed procedures
   - Providing more training to employees and Supervisors about their responsibilities
   - Requiring grant or contract funded positions to use leave annually or to be paid

37. Improve the paid leave controls by:
   - Requiring Administrators and Professionals to submit timesheets each pay period
   - Verifying the HR Module holiday leave rules (calendar) to prevent reporting errors
   - Establishing tolerances in Web-Time-Entry/Banner to detect hour or rate errors

38. Implement annual District Management oversight of leave use and costs

<table>
<thead>
<tr>
<th>36. Management’s Response</th>
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</thead>
<tbody>
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<tr>
<td>Manager:</td>
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<tr>
<td>Pamela Ansboury, AVC</td>
<td></td>
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<tr>
<td>Target Completion:</td>
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<tr>
<td>Complete</td>
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<tr>
<td>Action Plan:</td>
<td></td>
</tr>
<tr>
<td>See #29 response.</td>
<td></td>
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</tbody>
</table>

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<tr>
<td>Target Completion:</td>
<td></td>
</tr>
<tr>
<td>August 2014</td>
<td></td>
</tr>
<tr>
<td>Action Plan:</td>
<td></td>
</tr>
<tr>
<td>Management will require all employees to submit a timesheet for payment purposes for classified employees and for leave purposes for Administrators and Professionals. This practice, once implemented, will ensure paid leave is monitored by Supervisors and recorded accurately. Additional training will be provided to Supervisors to strengthen their oversight of paid leave.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>38. Management’s Response</th>
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<td>Action Plan:</td>
<td></td>
</tr>
<tr>
<td>See #30 response.</td>
<td></td>
</tr>
</tbody>
</table>
Paid Leave – Processes and Controls Continued

Background – Prior Audit Issues
Key issues reported in 2007 were:
• Costly and inefficient manual practices for requesting and recording leave
• Ineffective process controls to ensure accurate and timely recording of leave
• No analysis of sick leave used for family members or parent-student/teacher conferences
• Inadequate training for Supervisors or College Administrators about their roles
• Lack of compliance monitoring/oversight to determine abuse or misuse of leave benefits

Conclusions – Overview
Management stated that prior audit recommendations about paid leave had essentially been resolved or addressed. In general, recording leave appeared substantially improved from the prior practices. This was attributable to the implementation of Self-Service, Web-Time-Entry and the HR Module functions. However, automated time-entry, including paid leave, appeared to be a work-in-progress during this audit. A critical component of the processes was the significant dependency on each employee and their Supervisor to accurately record leave used.

Significant schedule constraints for the Banner HR Module implementation meant that less time was available for the business process analyses and documentation. As a result, various procedures were not in depth, and some have not been prepared. Training for employees and Supervisors was delivered on an expedited schedule with basic content and concepts. There was not much opportunity for integration testing or employee practice prior to go-live. Since implementation, additional functions have been activated, such as Web-Time-Entry, Self-Service, and ARGOS Reporting.

Various leave process or control deficiencies were evident during the audit work; these included:
• Some Professionals and Administrators did not report leave used in 2012 and 2013 due to misunderstanding preapproval processing
• There were no specific controls to detect employees not recording their vacation leave used
• Several College employees used the jury duty leave code for other purposes which misreported the hours used for civic duty in 2012 and 2013
• Vacation leave paid-out in 2012 for a grant employee was recorded after the funding closed
• Supervisors did not understand the tools available or how to review and manage leave activity
• Training for employees and Supervisors on the processes or controls needed reinforcement
• Retrieving information from Web-Time-Entry or Self-Service was challenging
• HR Module rule input errors in 2012 caused incorrect reporting of hours/amounts for holidays
• Management oversight of paid leave use and costs was not well documented

Conditions – Leave Processes and Controls
Employees requested and reported leave taken using the Web-Time-Entry Application accessible through the Self-Service System by logging into ACES. Supervisors could approve leave requests, other than sick and bereavement, in advance. The Web-Time-Entry Application automatically populated holidays for Administrators and Professionals. Classified/hourly employees entered holidays on their timesheets. Examples of incorrect time were seen in 2012 and 2013, which affected the regular hours reported but not the hours paid.
Paid Leave – Processes and Controls Continued

An employee requested leave in advance using the “Request Time Off” option in Web Time-Entry; the request was routed to their supervisor for approval in Web Time-Entry. Actual hours taken posted to the Banner System after the timesheet for the pay period was opened and revised if needed by the employee, and then approved by their supervisor.

Leave was also entered in a current pay period by the employee indicating the hours taken (and hours worked, if a Classified employee) on their timesheet and submitting it for approval. Leave requests and timesheets followed an approval routing queue established by the HR/OD Department based on the organization assignment for an employee’s position.

Leave required approval on the due dates established by the Finance and Fiscal Services Department. Payroll Unit Staff indicated that considerable follow-up with departments was necessary due to delayed timesheet.

Banner did not allow employees to enter hours or change leave recorded in prior pay periods after processing occurred. The Payroll Unit Staff manually entered corrections using the Banner Online Time Entry Form.

HR/OD Department personnel established leave rules for each employee class (Administrator, Professional, Classified) in Banner using the Employee Class Rules Form. This served as a control to prevent individuals from reporting leave not authorized for their employee class.

Conditions – Leave Analyses Results

The Human Resources & Organizational Development (HR/OD) and the Finance & Fiscal Services Departments did not have prepared analyses for paid leave activity. They acknowledged that an Argos HRS00222 Earnings Code Query was available to extract leave data. This query tool was the primary method used during this project to evaluate detailed leave transactions, and to summarize activity trends for comparison with the prior review.

Holiday – Calendar year 2012 hours and amounts reflected errors for 343 employees

- Recorded leave exceeded the 162 annual calendar hours; excess = 3,821 hours or $101,252
- 30 Classified and 3 Professional Staff showed substantially greater hours than the 162 allowed
- 72 hours of Dec 2011 leave recorded in Jan 2012 due to payroll lag procedure
- 186 Administrators or Professionals had 13 extra hours calculated for 1st pay period Jan 2012
- Their printed pay stubs showed 86.67 holiday hours but not the 72 actual hours
- Gross pay was not affected; holiday and regular hours/costs miscalculated by Banner
- Through May 144 employees showed more than the annual 128 hours authorized

Sick – About 2,100 employees used in 2012; about 50 percent reported 60 or more hours

- Hourly rates in 2011 were extremely high for 20 employees; 2 exceeded $1,000 per hour
- Payroll Staff manually entered sick leave at special or overload pay rate not primary job rate
- Despite these rate errors, employees’ pay check were correct as regular hours were offset
- Hours for family member illnesses or parent-student/teacher conferences not accounted for
Paid Leave – Processes and Controls Continued

Vacation – In 2012 and 2013 leave appeared underreported for various personnel
- Could not readily determine employees who did not record any vacation time
- Fifty-one Professionals (employed over one year) reported less than 30 hours used in 2012
- Various Administrators and Professionals had approved leave requests but no timesheets

The Payroll Unit confirmed that employees were not opening and submitting their timesheets every pay period. Additional procedures were implemented in 2012 to detect such instances before processing payroll. Payroll Unit Staff manually reviewed worksheets to identify and correct discrepancies each pay period. However, their new practices did not detect all exceptions for correction. In mid-March during this audit, the time sheet reminder Email notified Administrators and Professionals to open their timesheets for leave exceptions. It did not emphasize this as a major change affecting hundreds of employees.

Civic Duty – Compliance errors in 2012 and 2013 totaling 1,812 hours at $33,339
- 2012 = 3,645 hours, 186 employees, $75,034; 2013 = 666 hours, 70 employees, $14,827
- 2 employees improperly recorded time; their Supervisors approved these work around errors
  - NVC Adjunct Faculty reported 1,146 hours valued at $21,402 from Jan through Sept 2012
  - NLC CE Faculty reported 610 hours for $10,931 in 2012; 56 hours for $1,006 in Jan 2013
  - Payroll Staff began rejecting timesheets with misused earnings codes in early 2013

Conditions – Vacation Payouts
Procedure D.5.3.1 Holidays, Leaves and Absences states that unused vacation was paid out upon termination of employment. Employees who transfer to positions where vacation benefits did not accrue were paid for all unused leave at the rate in effect immediately before the transfer date. This Procedure stated that the District may require persons employed with restricted funds to use vacation or to receive payment before the grant ends. A review of the 2012 vacation payouts identified an employee paid $285.23 in June 2012. The Banner System automatically terminated her position when it expired in May at the end of the San Antonio College Upward Bound Program Grant. This employee received accrued vacation pay after the Grant ended. It was charged to her new department using the Northeast Lakeview College Operating Fund, Organization 851001 Student and Administrative Services.
Overtime and Compensatory Time Processes and Controls

Recommendations

39. Revise Procedure D.5.1 Employee Compensation & Exempt/Non-Exempt Status by-
   - Streamlining the advance authorization and approval requirements
   - Discontinuing the Overtime Pre-Approved and Payment Request Form
   - Holding Employees and Supervisors more accountable for overtime authorized

40. Improve the overtime (OT) process and controls by -
   - Using more Banner, Self-Service, and Workflow capabilities
   - Providing Supervisors/Administrators tools to review and manage overtime
   - Establishing new Banner OT earnings codes for FLSA manual entries

39. Management’s Response

Senior Leader: Diane E. Snyder, VCFA
Manager: Pamela Ansboury, AVC
Target Completion: August 2014

Action Plan:
Management has a rolling three year review process for policies and procedures. This procedure is scheduled to be reviewed in 2014. These recommendations will be considered during this review process.

40. Management’s Response

Senior Leader: Diane E. Snyder, VCFA
Manager: Pamela Ansboury, AVC
Target Completion: November 2014

Action Plan:
Management will review Banner, self-service and workflow capabilities to improve overtime processes. Revisions to the process and controls will be made after the review is completed.

Background – Prior Audit Issues

Major issues and control problems previously identified included:
- Potential abuse or misuse of overtime and compensatory time
- Costly and inefficient manual practices
- Ineffective or inadequate controls
- Incomplete regulatory monitoring activities

Conclusions

Management stated that actions for the 2007 audit report recommendations relating to overtime were implemented. In addition, compensatory time was discontinued for Alamo Colleges’ personnel in 2010 with the Banner HR Module implementation.

Overtime costs were almost $230,000 in 2006; it rose to over $410,000 in 2010, and decreased to $147,000 during 2012. Data indicated that over 700 nonexempt Staff incurred overtime hours and costs in each of the last two years. It appeared that District Management performed a limited review of overtime hours, costs, and trends each year.
Overtime and Compensatory Time Processes and Controls Continued

Web-Time-Entry and Banner helped to streamline overtime processing. Fair Labor Standards Act regulatory compliance tracking was established in HR Module. Alamo Colleges could benefit from additional procedure improvements and efficiencies. Employee and Supervisor accountability for overtime paid should be strengthened by providing timely and appropriate feedback especially for misuse or abuse.

In 2013, SPC used Title III Grant Funds for the overtime of an employee assisting with the Volunteer Income Tax Assistance (VITA) Program. SPC Administration requested that $4,495 be reclassified from the Grant to its Operating Fund based on inquiries during this audit.

Conditions

Procedure D.5.1.1 Employee Compensation and Exempt/Non-Exempt Status requires Supervisors to approve overtime in advance. Pre-approval is required using the Overtime Pre-Approved and Payment Request Form, which must be signed by the department head and President or Vice Chancellor. The supervisor must maintain these forms and make them available upon request. A few randomly interviewed Supervisors were not aware that these paper forms were available and still required by the Procedure.

Approval of timesheets through Web-Time-Entry also documented a Supervisor’s certification of overtime as pre-approved. This Application transferred hours to the HR Module, which automatically generated the overtime earnings.

Neither the Human Resources & Organizational Development nor Finance & Fiscal Services Departments had available analyses of overtime activity. They acknowledged that an Argos HRS00222 Earnings Code Query was available to extract such data. For this audit, overtime information for calendar year 2010 through May 2013 was gathered using the Argos Earnings Code Queries. Banner showed six earnings codes for overtime as of May 2013; however, only code 137 was used for Fair Labor Standards Act (FLSA) overtime. The queries reflected significant activity for five of these codes in 2011 and 2012. Almost all transactions for 2013 posted to the FLSA code 137. The Finance & Fiscal Services Payroll Unit Manager indicated that code 131 Overtime was to manually record hours for prior pay periods. Using codes 132 and 135 was a data entry error.

The data showed that employees’ hours and costs for overtime in 2010 and 2011 were substantially higher than 2006. A downward trend began in 2012, which appeared to continue during the current year. The top-five earners worked in the District (Facilities) Project Management Office, the SAC and SPC Theater Departments, and the NVC English Department.

Through March of fiscal year 2013, the top-five OT earners included a Part-time Tutor in SPC’s ACE Instruction Office, which was a Title III grant funded position. In addition, this person was the Site Leader for SPC’s Volunteer Income Tax Assistance (VITA) Program. His overtime and additional regular hours resulted from this role. The Title III Grant was to support and strengthen service delivery to students. Grant documents did not specifically authorize funds for the VITA Program. SPC Administration subsequently reviewed these facts, and determined that over 350 hours valued at $4,495 needed reclassification to the College’s Operating Fund.
Emergency Sick Leave (ESL) Program

Recommendations

41. Submit the report required by Procedure D.11.1.1 Emergency Leave Bank on time

42. Improve the ESL Program administration processes and controls by -
   - Revising the application to show employee Banner IDs not Social Security Numbers
   - Improving Bank Administrator's monthly recordkeeping and the annual report
   - Strengthening HR/OD Management monitoring and oversight (per Policy D.5.3)

43. Document a procedure for Payroll Unit processing of Banner ESL and train Staff

44. Recover the 117 hours valued at $1,080 credited to an employee's leave bank twice

45. Consider implementing the Ellucian/TCC Sick Bank automated processing

### Management's Response

<table>
<thead>
<tr>
<th>Senior Leader:</th>
<th>Manager:</th>
<th>Target Completion:</th>
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</thead>
<tbody>
<tr>
<td>Diane E. Snyder, VCFA</td>
<td>Linda Boyer-Owens, AVC</td>
<td>August 2014</td>
</tr>
</tbody>
</table>

**Action Plan:**

Management will strengthen and enforce procedures.

### Conclusions

In April 2013, Management stated that Emergency Sick Leave Program deficiencies and recommendations reported in the prior review had been resolved. This follow-up did confirm that the Board of Trustees approved Policy D.11.1 Emergency Leave Bank in December 2010; and that the HR/OD Department implemented the related Procedure D.11.1.1 shortly thereafter. Since Board approval, this Benefit Program has been low value and small volume.

However, documentation examined for this Benefit Program indicated on-going compliance and control deficiencies that were similar to the prior findings. A significant Procedure compliance exception involved the annual status reports due in December. The Chancellor and others received reports for fiscal years 2011 and 2012 when this audit began in spring 2013. HR/OD Department records to support these annual reports were incomplete.

Program activities used electronic documentation that did not interface with the HR Module. This practice was inefficient, and it was not reconciled with Banner leave records or entries. There was a significant delay in deducting donated hours from the affected employee Banner sick leave banks in 2012. The paper form completed by employees requesting emergency leave asked for their Social Security Numbers but not their Banner IDs.

The Finance and Fiscal Services Department Payroll Unit Staff inconsistently recorded the hours for emergency sick leave awards using the Banner Employee Leave Balance Form. This was due in part to the lack of a procedure and personnel training.

Effective Management monitoring and oversight could detect or prevent these compliance and/or recordkeeping exceptions. In addition, Management only recently became aware that Ellucian’s TCC Sick Bank automated processing had been available since 2011.
Emergency Sick Leave (ESL) Program Continued
Conditions
The Board approved Policy D.11.1 Emergency Leave Bank (The Bank) in December 2010. The Policy named the Associate Vice Chancellor of HR/OD (AVC of HR/OD), or her designee, as responsible for administrating this Program. Shortly thereafter, the Associate Vice Chancellor implemented Procedure D.11.1.1 Emergency Leave Bank; and in early 2012, she appointed the current Bank Administrator. The AVC of HR/OD coordinated forming the Committee to review applications and recommend the leave award hours as outlined in the Procedure. The Emergency Leave Bank Committee could include up to thirteen members, with a non-voting health professional and a Human Resources representative.

Employees could voluntarily donate up to 40 hours each fiscal year to the Program during October and April. If the available leave bank balance monitored by the Bank Administrator was less than 2,400 hours, a special drive could occur any time. Emergency leave awards were up to 720 hours or 90 days per fiscal year. Upon an employee’s retirement, death, or determination by the Bank Administrator that person was no longer eligible, unused emergency leave hours reverted-back to the leave balance.

Procedure D.11.1.1 required the Bank Administrator to prepare an annual report on the status of the Emergency Leave Program in December. The annual status reports for fiscal years 2011 and 2012 distributed in March 2013 included the mandatory items as summarized below.

<table>
<thead>
<tr>
<th>Annual Report Categories by Fiscal Year (FY)</th>
<th>Hours by FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank leave hours available on September 1st</td>
<td>822 2,459</td>
</tr>
<tr>
<td>Leave hours donated (employees = 159 Apr/Oct 2011; 47 April 2012)</td>
<td>4,758 1,280</td>
</tr>
<tr>
<td>Bank hours available for award</td>
<td>5,580 3,739</td>
</tr>
<tr>
<td>Leave hours approved for award from the Bank (2011 = 25 requests for 5,536 hours; 2012 = 29 requests for 5,480 hours)</td>
<td>3,121 3,498</td>
</tr>
<tr>
<td>Bank leave hours available on August 31st</td>
<td>2,459 241</td>
</tr>
<tr>
<td>Annual reports issued on 03/05/2013 were late by -</td>
<td>14 + mos 2 + mos</td>
</tr>
</tbody>
</table>

The Bank Administrator maintained separate electronic logs for donations and awards, which were not complete, reconciled, or dated. There was no reconciliation of these worksheets or the annual reports to the HR Module transactions. Five April 2012 donations selected for review had the required documentation. The donor forms used the employees’ Banner IDs. Employees who donated hours in spring 2012 had sick leave balance transfers recorded in August. In addition, two donors retired before their leave balances were adjusted, so 80 contributed hours were not collected.

Leave awards approved for six employees in fiscal year 2013 had the following exceptions:
- Four employees had emergency sick leave hour accrued hour adjustments for awards
- One employee’s emergency sick leave beginning balance hours were increased
- One employee had beginning balance hours and accrued hours adjusted for two awards
- A 117 hour approved award was recorded twice on the same day in Banner for one employee
- Five applications had subsequent changes to the hours requested without notes to explain
- Unused hours not consistently returned to the Bank; 2 terminated employees had 100 hours
- Applications had Social Security Numbers instead of their Banner IDs
Emergency Sick Leave (ESL) Program Continued

The Finance and Fiscal Services Department Payroll Unit Staff recorded adjustments to donor and applicant Banner leave balances based on Emails from the Bank Administrator. Four Payroll Unit Staff received these Emails so duplicate entries occurred. Their stated practice was to adjust the beginning balance hours for emergency sick leave awards using the Banner Employee Leave Balance Form. The Payroll Unit Staff also indicated that leave balances in Banner did not reflect manual payroll processing activity, which happened occasionally.
Payroll Disbursement – Bank Reconciliation Processes and Controls

Recommendations

46. Improve the payroll general ledger and bank account reconciliation processes by -
   - Completing the business process analysis and documentation
   - Developing detailed procedures
   - Providing on-going training for appropriate Finance & Fiscal Services Staff

47. Improve the payroll general ledger and bank account reconciliation controls by -
   - Reconciling checks, direct deposits, and pay cards with the payroll registers
   - Validating the bank positive pay file monthly
   - Verifying that check and positive pay numbers assigned by Banner are accurate and sequential
   - Ensuring timely and accurate error correction
   - Implementing timely Department Management or Supervisory reviews

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<tr>
<th>46. Management’s Response</th>
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<td>Senior Leader:</td>
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<tr>
<td>Diane E. Snyder, VCFA</td>
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<td>Manager:</td>
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<tr>
<td>Pamela Ansboury, AVC</td>
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<td>Target Completion:</td>
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<td></td>
<td>July 2014</td>
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Action Plan:
Management will develop detailed procedures for payroll general ledger and bank account reconciliation processes informally now in place.

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<thead>
<tr>
<th>47. Management’s Response</th>
<th>Accept</th>
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<tbody>
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<td>Target Completion:</td>
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<td></td>
<td>Complete.</td>
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Action Plan:
Management has made improvements to reconciliation controls in 2013, which address the recommendations made in this report.

Conclusions

The prior audit documented a variety of bank reconciliation exceptions. Substantive improvements were evident since the 2010 Banner implementation due to greater automation of reconciliation activities. Initiating positive pay services with the bank dramatically reduced opportunities for payroll check fraud. Increased use of direct deposit and the introduction of pay cards significantly reduced the volume of checks and those outstanding. The list of outstanding checks was also considerably shorter due to action taken for older uncashed payroll checks. This included more timely unclaimed property follow-up and reporting.

Audit procedures illustrated that some control deficiencies still existed because the business process analysis were incomplete. Procedures for reconciling and error correction must be documented; and it appeared that Staff required additional training. Published bank account reconciliations were not signed and dated by the Accountant who prepared them, or the Senior Financial Accountant who was the reviewer.
Payroll Disbursement – Bank Reconciliation Processes and Controls Continued

The reconciliations did not indicate Management’s review or approval. This control was essential since the monthly reconciliations from September through January for fiscal year 2013 reflected various line items needing general ledger adjustments. Research for some differences lasted several months, which delayed the adjusting entries. A number of checks remained on the outstanding list instead of reporting them to the State as unclaimed property. It is possible that some of these differences or outstanding checks may have resulted from payroll errors.

Several new control deficiencies have occurred with the HR Module. The PHPBREC and FGRGLTA Reports showed balances that did not agree on 1/31/2013. Check number sequences were not consecutive in the HR Module; and some appeared reused with alpha characters appended. With check numbering discrepancies, it was critical that Staff reconcile the checks, direct deposits, and pay cards with the payroll register.

Conditions

The Finance & Fiscal Services Department lacked documented procedures for the payroll general ledger and bank account reconciliation processes. Summarized below are issues and exceptions observed on the January 2013 and December 2012 published monthly bank reconciliations.

- Not signed and dated by preparer or reviewer; 2 appeared completed over 30 days late
- Published copy did not match the Excel Workbook version
- General ledger account 10005 balance should equal zero or the amount of checks not cashed
- Reconciled differences between the bank and general ledger accounts were:
  - Over $5.096 million for December because the last payroll journal entry posted in January
  - About $8,700 for January
- Both months showed a $21,755.56 bank adjustment for prior fiscal year checks to be voided
- January indicated 2 small direct deposits in transit at month-end for pay cards
- The general ledger account for both months reflected various reconciling items -
  - Small variances for July, August, September, and October were being researched
  - Two low value identified differences for October required an adjusting payroll entry
  - A $7,962 variance for November was being researched
  - A $3,294 pending adjustment for unclaimed property (checks) escheated in November
  - A $3,460 difference for December required more analysis
- 14 pending ledger adjustments identified on December 10th for prior months checks to void
  - This included $57.48 on January’s reconciliation that was not part of these calculations
- 9 ledger adjustments identified for January that required entries
- Pending adjustments for 2 employees overpaid in these months
- A pending $8,679 January entry for unclaimed property or checks not cashed
Payroll Disbursement – Bank Reconciliation Processes and Controls Continued

Bank reconciliation supporting worksheets included the following control exceptions:

- Primary Workbook only typed preparer and reviewer initials with a date
- September and October reconciliations completed more than 30 days after month-end
- Preparer was an Accountant and approver was a Senior Financial Accountant
- Workbook included monthly worksheets from June 2011 through January 2013
- Banner Report PHPBREC for 1/31/2013 showed 243 outstanding payroll checks for $71,498
  - Check number sequences not consecutive since January 2010; alpha characters used
  - 16 checks or $9,235 deducted as void on compilation were active in Banner
  - FGRGLTA Report for 1/31/2013 reflected $80,761.10, or $28.37 more than PHPBREC
- 85 records or $21,775 designated to be void in Banner; not part of bank positive pay file
  - 64 totaled $14,177 issued in 2010; 21 amounted to $7,599 dated in 2011
- 32 outstanding checks for $16,653 on bank file and in Banner dated prior to FY 2013 including
  - Employee A had 4 totaling $1,933 from spring 2012
  - Employee B had 8 for $1,894 from fall 2012; 1 for $534 from February 2010 to be void
  - Employee C had 11 worth $12,301 issued in July and August 2012
- Check 300252 1/31/2013 for $1,316.33 outstanding for an employee using direct deposit
  - (This check not on EPrint payroll register for that pay period)
Alamo Colleges
Payroll and Related Business Processes Follow-Up Review
January 15, 2014 (Reissued)

Payroll Disbursement – Annual Federal W2 Forms Reconciliation and Reporting

Recommendations
48. Improve the federal income and withholding reporting processes by:
   - Complying with the Social Security Administration’s required record formats
   - Reconciling the electronic file data with the employee forms
   - Submitting the electronic file when employee W2 Forms are issued

49. Improve HR Module controls and data integrity by:
   - Verifying employee Social Security Numbers in Banner
   - Implementing employee master data standards for names and addresses
   - Limiting addresses to only one active at any time
   - Developing exception reports for Finance & Fiscal Services Department

Management review of Form W-2C PXAW2CC changes

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<tr>
<th>48. Management’s Response</th>
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<tbody>
<tr>
<td>Senior Leader:</td>
<td>Manager:</td>
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<tr>
<td>Diane E. Snyder, VCFA</td>
<td>Pamela Ansboury, AVC</td>
</tr>
<tr>
<td>Target Completion:</td>
<td>Complete</td>
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Action Plan:
Management was in compliance with the Social Security Administration’s required record formats and was reconciling electronic file data with employee forms. Management will review the timing of the submission of W2 form data to the IRS, as there are benefits to submitting the data in March, as has been the practice. The recommendation is to submit the data in early February, immediately after the W2s are given to the employees, which is not the common practice of organizations, as a March submission allows corrections to be made, without filing multiple IRS amendments.

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<th>49. Management’s Response</th>
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<tbody>
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<tr>
<td>Diane E. Snyder, VCFA</td>
<td>Linda Boyer-Owens, AVC</td>
</tr>
<tr>
<td>Target Completion:</td>
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</tbody>
</table>

Action Plan:
Management will assess available Banner controls to enhance data integrity.

Conclusions
Alamo Colleges’ 2012 electronic W-2 Form records sent to the Social Security Administration (SSA) did not fully comply with specifications for Filing Forms W-2 Electronically (EFW2). The primary differences involved employee names not matching their Social Security Cards (SSCard), and addresses excluded or truncated apartment/unit numbers. This could result in SSA returning the file for corrections and resubmission. The Treasury Department may assess a financial penalty for invalid data.

These exceptions demonstrated the need to improve the business process analyses, and the HR Module data standards. Better controls are needed to ensure that the HR Module master record for an employee matches their SSCard. Employee address data in Banner was inconsistent so complying with the SSA formatting specifications was not possible.

The District used Staff for address changes and reversals between issuing W2 Forms and submitting the matching electronic file to the SSA. It is more efficient and less costly to correct W2 Forms or Records after submitting the electronic file to SSA.
Payroll Disbursement – Annual Federal W2 Forms Reconciliation and Reporting Continued Conditions

Alamo Colleges must issue pdf or paper copies of W2 Forms to employees by the end of January for the prior calendar year. The District must transmit a batch summary and an electronic file of these records to the Social Security Administration (SSA) before the end of March. The Finance & Fiscal Services Department’s Payroll Unit created both records, and performed various reconciliation activities.

The Payroll Unit transmitted the electronic records to SSA in late March to allow time for W2 corrections if needed. During this 60-day period, manual intervention was required to monitor employee address changes to ensure that the SSA File matched the individual employee W2 Forms.

Various Payroll Unit Staff have access to the HR Module Form W-2C PXAW2CC to enter revisions for employee copies or the electronic records. As of June 2013, there were no corrections for 2012 using this Banner Form. Prior to 2012, W2 changes occurred for various reasons such as name and/or Social Security Number errors, or address revisions. Controlled use of this Form is critical to the accuracy of the data reported to employees and the federal government each year.

The SSA issued Specifications for Filing Form W-2 Electronically for Tax Year 2012 with instructions and detailed record formats. The manual indicated employee names reported should exactly match the individual’s SS Card. Social Security Numbers should not begin with “666 or 9”, and to enter zeros if the employee did not provide a number.

The Finance & Fiscal Services Payroll Unit coordinated with the District Information & Technology Services Department Staff to extract the required output files from the HR Module. The Payroll Unit was responsible for preparing and submitting the 941 Quarterly Reports showing wages and withholding amounts. This Unit also reconciled the quarterly reports to the annual detail W2 Electronic File and the US W-2 2012 Summary Report PXRW212.

Alamo Colleges’ 2012 W2 Forms and electronic files reflected the following:

- The W-2 2012 Summary Report showed that 5,944 employee records were selected
- This included twenty-one records with no amounts to report
- Employee identifying numbers did not begin with 666 or 9 as required
- Errors & Message Warnings 1/30/2013 showed 3 employees with missing address data

Exceptions noted from reviewing W2 and related documents included:

- W-2 Summary totals slightly exceeded the cumulative 941 Quarterly Report amounts
- Some employee names were not exact matches to their SS Cards; only initials reported
- About 40 percent of the employees with W2 Forms had multiple active addresses in Banner
- SSA File Addresses were incomplete however the Employees’ W2 Forms appeared accurate
- SSA File Delivery Addresses were incomplete due partially to the field’s 22 character limit
- The District did not use all of the SSA File address formats available
- Employees could use Self-Service for address changes after the January issuance
- Manual monitoring of and adjustments for SSA File address changes occurred
- These adjustments were reversed in the HR Module to reflect the employees’ updates
Payroll Disbursement – Bridge Pay Recovery Process and Controls

Recommendations
50. Improve the Bridge Pay Recovery Process by:
   • Developing a business process analysis
   • Preparing a detailed procedure
51. Improve the Bridge Pay Recovery Controls by:
   • Reconciling District-Wide Operating Fund 119101 for Bridge Payments monthly
   • Initiating Department Management reviews of the reconciliations

50. Management’s Response
   Accept
   Senior Leader: Diane E. Snyder, VCFA
   Manager: Pamela Ansboury, AVC
   Target Completion: May 2014
   Action Plan:
   Management will formalize detailed procedures for the Bridge Pay Recovery Process.

51. Management’s Response
   Accept
   Senior Leader: Diane E. Snyder, VCFA
   Manager: Pamela Ansboury, AVC
   Target Completion: Complete
   Action Plan:
   Management is reconciling the Bridge Pay Recovery account monthly, with department management review.

Conclusions
Alamo Colleges implemented the recommendation to pay in arrears beginning in fall 2010. Paying in arrears gave the District more time to process terminated employees and leave used. The general ledger fund for tracking and recording Bridge Payments (119101 District-Wide Operating) was not reconciled monthly; and there appeared to be several errors from prior years.

Conditions
To address potential financial hardships due to adjusting the pay periods, Management advanced wages to employees in September 2010. Personnel were required to sign an acknowledgement form stating they were responsible for repaying this Bridge Payment. Repayments would be deducted from final paychecks upon retirement, change from full-time employment, or termination.

General Ledger District-Wide Operating Fund 119101 was set up to record the original Bridge Payments of $3.2 million and any employee repayments. As of August 2013, the Fund showed $2.6 million in outstanding advances. Two Bridge Repayments deducted in fiscal year 2013 appeared to be correctly processed. Transactions for fiscal year 2011 included two misclassified amounts that required adjustments. No reconciliation of this Fund was provided during the audit.

<table>
<thead>
<tr>
<th>District Wide Operating Fund 119101 Summary</th>
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<tbody>
<tr>
<td>Fiscal Year</td>
</tr>
<tr>
<td>-------------</td>
</tr>
<tr>
<td>2011</td>
</tr>
<tr>
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<tr>
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</tbody>
</table>
Banner HR Module and Self-Service Application Security and Access

Recommendations

Comply with Texas Administrative Code (TAC) Title 1 Administration Part 10 Dept. of Information Resources Chapter 202 Information Security Standards Subchapter C for Security Standards for Institutions of Higher Education by:

- §202.70 Security Standards Policy
- §202.71 Management & Staff Responsibilities
- §202.72 Managing Security Risks
- §202.75 Info. Resources Security Safeguards

52. Improving the Human Resources Module security:
- Classify the master and transaction data based on risks of loss or disclosure
- Create new security classes that better align with employee jobs and duties
- Reassign forms to the new classes
- Limit access to maintenance forms

53. Improving the Banner Self-Service Application security:
- Develop detailed procedures
- Segregate security from HR/OD Staff with other HR Module maintenance duties
- Update the HR Module Form PTRUSER with accurate user titles & organizations

52. and 53. Management’s Response

<table>
<thead>
<tr>
<th>Senior Leader:</th>
<th>Manager:</th>
<th>Accept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diane E. Snyder, VCFA</td>
<td>Linda Boyer-Owens, AVC</td>
<td>Target Completion: January 2015</td>
</tr>
</tbody>
</table>

Action Plan:
Management will redesign the HR module security classes to better align to employee jobs and duties and restrict access. Procedures will be developed and segregate security duties.

Background – Prior Audit Issues

Major issues documented in the prior audit included:
- Human resources system owner and responsibilities were not formally designated
- Various inactive users were identified
- Several users had multiple access codes
- Users with update access were not adequately controlled

The 2007 recommendations for application security and access relied on the Control Objectives for Information and Related Technology (COBIT) framework. Subsequently, the Texas Administrative Code Title 1 Part 10 Chapter §202 Information Security Standards Subchapter C for Higher Education (TAC 202) which outlined guidelines applicable to institutions of higher education became known to District Management.

Conclusions

Management stated the recommendations related to the human resources and payroll information application security were implemented. The 2010 Banner HR Module implementation included human resources and payroll functions. Alamo Colleges established separate ownership and security profiles for each process group. Module security overall reflected substantial efforts to reduce users with access, especially those with capabilities to update or change data.
Banner HR Module and Self-Service Application Security and Access Continued

Security for employee information assets (electronic records) in the Banner environment still exhibited control deficiencies. The security program lacked key elements of COBIT and the TAC 202. Personnel data was not categorized by regulatory or business risks. As a result, the security classes were not structured or set-up correctly, and insufficient segregation of maintenance access was evident. These inadequacies might have been mitigated by monitoring user transactions or exceptions, which was not done. The security class structure impaired the separation of the HR Module by the human resources and payroll process groups.

Activation of Banner (Employee) Self-Service further complicated the HR Module security program. Self-Service security managed using PTRUSER needed process analysis, documentation, procedures, and data owner oversight.

The District IT Security Office controlled HR Module user access. However, the HR/OD Department’s Information Systems Unit managed Self-Service security. This appeared to be a conflict of duties because of the broad maintenance job functions performed by these HR/OD employees.

Conditions – Banner Human Resources (HR) Module Security and Access

The 2010 Banner HR Module implementation included human resources and payroll functions. Alamo Colleges chose to segregate ownership and security profiles for each process group. The Finance & Fiscal Services Department became the payroll processes group owner while the HR/OD Department assumed the human resources processes group data-owner responsibilities.

Users request access to the HR Module with approvals from their Supervisor and the designated data-owner using the Enterprise Banner Access Request Form. The security classes available for each module are shown on this Form. The classes group Banner objects, which are forms, process, reports, and tables. Each object was designated within the Application as maintenance or query. The HR Module human resources processes group had seventeen security classes while the payroll group had fifteen. The Request Form classes did match the HR Module Role Definitions Matrix as of spring 2013.

The District Information Technology Services (ITS) Security Office was responsible for user access set-up as authorized by the data-owner and for distributing monthly security reports. These reports showed the security classes assigned to each user but did not indicate if the roles had maintenance or query access. The data-owners were responsible for reviewing these monthly reports to ensure users had appropriate access. The human resources processes group data owners were the Human Resources & Organizational Development (HR/OD) Department Associate Vice Chancellor, and the Information Systems (HRIS) Unit Manager. The payroll processes group data owner was the Finance & Fiscal Services Comptroller.

The January 2013 monthly security report for the human resources processes group reflected eighteen security classes and seventeen for the payroll group. The HR Temp Analyst Class reported was not shown on the Request Form or the Role Matrix. For the payroll group, the monthly report included three security classes not reflected on the Request Form or Role Matrix. Additional classes included were Budget Officer, Payroll All, and Obsolete.
Banner HR Module and Self-Service Application Security and Access Continued

During this audit, HR/OD Department’s Information Systems Unit coordinated user access clean up with the District IT Security Office and the Disbursement/Payroll Director. Access by programmers and security Staff in the District ITS or HR/OD Departments continued to be very broad. These individuals had update capability in the HR Module for routine operating activities and could do so without restrictions or monitoring. The HR/OD Information Systems personnel had update access to administer HR Module rules for both groups.

<table>
<thead>
<tr>
<th>2013 Monthly Security Reports Group Summary Comparison</th>
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</thead>
<tbody>
<tr>
<td><strong>User/Employee Departments</strong></td>
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<tr>
<td></td>
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<tr>
<td>Human Resources (HR/OD) Dept.</td>
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<tr>
<td>HRIS Information Systems</td>
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<tr>
<td>Risk Management</td>
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<tr>
<td>Finance &amp; Fiscal Services Dept.</td>
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<tr>
<td>Payroll</td>
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<tr>
<td>District ITS Dept.</td>
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<tr>
<td>System Accounts (not a person)</td>
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<tr>
<td>College VPs CS/Budget Staff</td>
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<tr>
<td>District Ethics &amp; Compliance</td>
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<tr>
<td>Other Departments</td>
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<tr>
<td>Total HR Module Users</td>
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</table>

In May 2013, fifty users had access to the Banner HR Module human resources processes group. Potential access conflicts for eleven employees included four in the District ITS Department, and seven in the HR/OD Department’s Information Systems & Security, and Risk Management & Insurance Units.

Fifty-six users had access to the Banner HR Module payroll processes group, which included eight employees assigned to the Finance & Fiscal Services Payroll Unit. Potential access conflicts for the payroll related security classes included six from the HR/OD Department, and twenty-two from other units in the Finance & Fiscal Services Department. Four users from Other District or College Departments had inappropriate access based on their job titles.

**Conditions – Banner User Codes Rule Form PTRUSER**

While evaluating HR Module security classes and user access, questions about their relationship with and the controls for Banner’s Self-Service Application became apparent. The Human Resources Information Systems (HRIS) Manager acknowledged responsibility for administering the Banner User Codes Rule (PTRUSER) Form used for some Self-Service security. The Associate Vice Chancellors for HR/OD and Finance & Fiscal Services and Comptroller were not familiar with this process. These data owners had not received PTRUSER access status reports.

In February 2013, PTRUSER included data for 1,140 User IDs. The User Codes Rules PTRUSER Form controlled eleven types of access. The HR/OD and Finance & Fiscal Services Departments’ knowledge about this Form seemed very limited due to lack of training and experience. Procedures detailing how to request, update, or monitor access were not available.

HR/OD Staff input the Users’ Names while their Job Titles were optional. February’s extracted User list reflected numerous incorrect or missing job titles for employees. The HR Module data owners indicated that many of these errors/omissions might have occurred during implementation.
Banner Finance Module Vendor Master File Maintenance, Security, and Access

Recommendations

54. Strengthen the Banner Finance Module Vendor Master File controls by:
   - Enhancing the procedures for vendor set-up and maintenance
   - Restricting access to a custodian & alternate with no other maintenance duties
   - Removing update access from two non-vendor maintenance security classes

55. Improve the Banner Finance Module Vendor Master File accuracy and reliability by:
   - Correcting inaccuracies identified; including the EPrint GZR0027 Report records
   - Following the Banner data standards, especially for names and addresses
   - Validating the taxpayer identification numbers (TINs) and vendor names using the free Treasury/IRS matching system
   - Continuous review of the Vendor Master File for duplicate or irregular TINs

54. Management’s Response

<table>
<thead>
<tr>
<th>Senior Leader:</th>
<th>Manager:</th>
<th>Accept</th>
<th>Target Completion:</th>
</tr>
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<tbody>
<tr>
<td>Diane E. Snyder, VCFA</td>
<td>Pamela Ansboury, AVC</td>
<td></td>
<td>July 2014</td>
</tr>
</tbody>
</table>

Action Plan:
Management is strengthening procedures for vendor set-up and maintenance to ensure accurate vendor payments and tax reporting. Individuals with update access will be assessed and appropriate action taken. A process has been put in place to review TINs against the Treasury/IRS matching system. Corrections are in process for the data discrepancies in TINs identified in this report. Most of the errors were from the data conversion to Banner in 2006.

55. Management’s Response

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<th>Senior Leader:</th>
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<tbody>
<tr>
<td>Diane Snyder</td>
<td>Pamela Ansboury</td>
<td></td>
<td>July 2014</td>
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</table>

Action Plan:
See #54 response.

Background – Prior Audit Issues

Key audit issues in 2007 were:
- Banner Vendor Master File maintenance performed by three different areas
- Segregation of duties conflict since 1 person could approve invoices and update vendor file
- Validation of data entered was insufficient
- No audit trial of who set-up 44 percent of the vendors
- 552 companies had missing addresses or related information
- 277 vendor records were missing or showed an inappropriate tax identification number
- 70 records appeared to have multiple occurrences of the same vendor name
- Inadequate procedures and training for Vendor Master File maintenance
Banner Finance Module Vendor Master File Maintenance, Security, and Access Continued

Conclusions
Management stated that the 2007 audit recommendations related to segregation of duties, access, and Vendor Master File quality were resolved. Major improvements and corrective action in these areas was evident. This follow-up review indicated on-going deficiencies in key controls that could affect or delay vendor payments. These deficiencies involve security/access, and record name and/or address formatting. Some inaccuracies were still observed in the Vendor Master File, including duplicate or incorrect taxpayer identifications numbers.

Conditions
The Finance and Fiscal Services Department’s Purchasing and Contract Administration Unit was responsible for maintaining the Banner Vendor Master File using Form FTMVEND. The Finance Monthly Banner Role Access Report for March 2013 showed that vendor maintenance was granted to the Purchasing Supervisor, Finance Super User, and Vendor Maintenance Security Classes. These classes were assigned to three System Generic User IDs: ACCDAPP1, ACCDAPP10, and ACCDAPP4. These classes were assigned to eight employees: five in the Purchasing and Contract Administration Unit; and two in the Accounting Unit. One terminated employee’s Banner access was still active.

Review of 11,001 corporation type records extracted in April 2013’s using the GUIALT Banner Form showed:

- 2,699 records with a blank taxpayer identification number (TIN)
- 1,964 of these had a TIN in the FTVVEND Table “1099 Report Indicator” field
- Two records had a TIN with three leading zeros which was not accurate
- 129 had multiple occurrences of the same TIN but different Banner identification numbers
- 3 records with different Banner IDs incorrectly had the TIN for Alamo Colleges
- 8 had invalid Banner identification numbers
- 1 record had all ones in the TIN field which was not accurate

EPrint Report GZR0027 identified duplicate Banner person identifiers for review and correction. The Finance & Fiscal Services Department was responsible for researching duplicate vendor records. The Report run for 05/13/2013 had 2,899 records with potential problems. The records did not indicate if the individuals were vendors, employees, or students. Records remained on this report until corrected. The listing included 83 invalid taxpayer identification numbers that occurred between 2010 and 2013. The invalid numbers included “111111111”, “000000000”, and “999999999”. Seven User IDs were Finance and Fiscal Services Department Staff and one ID was a generic system user. These Users accounted for over fifty percent of the records on the report that needed correction.
Employees also Hired as Independent Contractors

**Recommendations**

56. Improve the process to differentiate employees from contractors by:
   - Documenting a procedure
   - Providing on-going training for College personnel
   - Confirming Verification of Independent Contractor Status Form responses

57. Improve the controls to differentiate employees from contractors by:
   - Developing a report of service compensation paid to independent contractors
   - Implementing College and District Management reviews of contractor payments

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<th>Management’s Response</th>
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<tr>
<td><strong>56.</strong> Senior Leader:</td>
<td>Accept</td>
</tr>
<tr>
<td>Diane E. Snyder, VCFA</td>
<td>Manager: Pamela Ansboury, AVC</td>
</tr>
<tr>
<td><strong>Action Plan:</strong></td>
<td></td>
</tr>
<tr>
<td>Management will improve the process to differentiate employees from contractors, and assess the reporting requirements to establish regular College and District Management reviews of contractor payments.</td>
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<th>Management’s Response</th>
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<tbody>
<tr>
<td><strong>57.</strong> Senior Leader:</td>
<td>Accept</td>
</tr>
<tr>
<td>Diane E. Snyder, VCFA</td>
<td>Manager: Pamela Ansboury, AVC</td>
</tr>
<tr>
<td><strong>Action Plan:</strong></td>
<td>See #56 response.</td>
</tr>
</tbody>
</table>

**Background – Prior Audit Issues**

The 2007 audit included a search for employees as vendors and a review of some direct payments that identified the following:

- No policy or procedure existed for employees as vendors or monitoring activities for them
- 28 employees paid as independent contractors based on W2 and 1099 MISC comparisons
- Employee Independent Contractor Classification/Contracts Agreement for Professional, Personal, and Consulting Services were not always provided

**Conclusions**

Management indicated that the audit issues were resolved; and that employees were no longer eligible to provide goods and services to Alamo Colleges as vendors or independent contractors. However, there were no controls, reporting, or a formal procedure in place to ensure compliance with the related Policy D.2.4 Nepotism, Conflicts of Interest. The Verification of Independent Contractor Status Form was not an effective control since the accuracy of the responses was not verified. This form could be used to circumvent Human Resources and Organizational Development (HR/OD) Department review and the Chancellor’s approval for hiring an employee.
Employees also Hired as Independent Contractors Continued

Distinguishing an independent contractor from an employee was a complex activity. The training provided by the HR/OD Department to College Administrators in fall 2011 was not available for subsequent viewing/use on the AlamoLearn site. There were no practices by District Departments to confirm that an independent contractor did not meet the federal criteria for an employee. Classifying Instructors as independent contractors may also have affected state funding for some courses and contact hours.

Conditions

In January 2010, Policy D.2.4 Nepotism, Conflicts of Interest was revised to disqualify an employee from providing goods or services to Alamo Colleges as a vendor/independent contractor. The HR/OD Department discontinued the Employee Independent Contractor Classification/Contracts Agreement for Professional, Personal, and Consulting Services.

In fall 2011, the HR/OD and Legal Services Departments collaborated on training for College Administrators about distinguishing a consultant from an employee. This analysis was important because employers must withhold and pay taxes on wages paid to an employee, but not for independent contractor payments. This training used the Internal Revenue Service criteria to determine if a service provider was an employee or an independent contractor. This training was not subsequently made available on the AlamoLearn site.

The Office of Legal Services required a Verification of Independent Contractor Status Form as part of the Simple Services Agreement that was designed to determine if a contractor could be considered an employee. This form included a statement notifying users that approval from the HR/OD Department was required when responding yes to any of three questions. The form stated that inaccurate information or responses could result in disciplinary action, including termination. However, the District had no procedures to verify the accuracy of the responses.

The following was noted in a limited review during this audit:

- Palo Alto College employed an Adjunct Instructor who owned a flight instruction company
  - Employed since 2007; had active job assignments from 2011 through 2013
  - Paid wages in 2011 but not in 2012 or 2013
  - His company had a multi-year contract with Alamo Colleges for student flight training
  - Direct Payments to company were $4,000 in 2013; $9,400 in 2012; and $83,800 in 2011
  - Credit card payments of $359,000 in 2013; $234,000 in 2012; and $74,000 in 2011

- 4 of the 28 employees previously identified as vendors received 1099 MISC Forms for 2012
  - 3 left Alamo Colleges’ employment in 2012 or 2013
  - A SAC Continuing Education Instructor’s company was paid $8,400 in March 2012

- 3 Northwest Vista College Continuing Education Instructors working summer camps had been independent contractors prior to 2013 when employee records were created

Occasionally, Finance and Fiscal Services Accounts Payable Unit contacted the HR/OD Department with questions about Direct Payment Method transactions that appeared to be for services provided by known employees. Currently, there were no reviews of Purchasing Card transactions to check for payments to companies owned by employees.
## Information Resources Control Environment

### Recommendations
Comply with Texas Administrative Code Title 1 Part 10 Chapter 202 Information Security Standards Subchapter C for Higher Education Rules by:

- **§202.74 Business Continuity Planning**
- **§202.75 Info. Resources Security Safeguards**

58. Developing a business continuity plan for the human resources functions
59. Developing a business continuity plan for the payroll functions
60. Completing the information technology governance framework project by:
   - Obtaining Management’s approval
   - Distributing the document to the Colleges and District Departments
   - Providing on-going training for employees

61. Improving the change management procedures, which include the HR Module by:
   - Obtaining Management’s approval
   - Distributing the document to the Colleges and District Departments
   - Providing on-going training for employees

62. Continue the records management program implementation to comply with Texas Administrative Code Title 13 Part I Chapter 6 Subchapter A Rule §6.10 Texas State Records Retention Schedule

### 58. Management’s Response

<table>
<thead>
<tr>
<th>Senior Leader:</th>
<th>Manager:</th>
<th>Target Completion:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diane E. Snyder, VCFA</td>
<td>Linda Boyer-Owens, AVC</td>
<td>March 2015</td>
</tr>
</tbody>
</table>

**Action Plan:**
Management will prepare a business continuity plan for HR functions.

### 59. Management’s Response

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<thead>
<tr>
<th>Senior Leader:</th>
<th>Manager:</th>
<th>Target Completion:</th>
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</thead>
<tbody>
<tr>
<td>Diane E. Snyder, VCFA</td>
<td>Pamela Ansboury, AVC</td>
<td>March 2015</td>
</tr>
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</table>

**Action Plan:**
Management will prepare a business continuity plan for Alamo Colleges’ payroll functions.

### 60. Management’s Response

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<thead>
<tr>
<th>Senior Leader:</th>
<th>Manager:</th>
<th>Target Completion:</th>
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</thead>
<tbody>
<tr>
<td>Thomas Cleary, VCPPIS</td>
<td>Roger Castro, CIO</td>
<td>May 2014</td>
</tr>
</tbody>
</table>

**Action Plan:**
Vice Chancellor Cleary has given approval of the COBIT methodology for IT governance. This information has been shared with the IT Leadership Council. This information must now be shared with the IT Advisory Panel. COBIT training was provided in 2011 and repeated in 2013 for the required audience at both College and District IT.
Information Resources Control Environment Continued

### 61. Management’s Response

**Senior Leader:** Thomas Cleary, VCPPIS  
**Manager:** Roger Castro, CIO  
**Target Completion:** March 2014

**Action Plan:**
The Configuration Change Board (CCB) document has been in effect since Fall 2011 and has been the procedural document that governs change in ITS. Vice Chancellor Cleary has approved this process and this document has been shared with IT stakeholders. This document is currently under review for currency and will itself go through the change management process.

### 62. Management’s Response

**Senior Leader:** Diane E. Snyder, VCFA  
**Manager:** Pamela Ansboury, AVC  
**Target Completion:** Complete

**Action Plan:**
Management has a plan to complete implementation of the records management program. The procedures and records retention schedules are available in Alamo Share.

**Background – Prior Audit Issues**
The 2007 Payroll and Related Business Processes Review Report identified deficiencies that affected the reliability and accuracy of personnel information. One issue was Alamo Colleges’ information technology governance. Another key issue related to business continuity planning for the human resources and payroll functions, including disaster recovery. Other critical areas were systems change management practices.

Subsequent to completing the audit, the District acknowledged Texas Administrative Code Title 1 Administration, Part 10 Department of Information Resources, Chapter §202 Information Security Standards, Subchapter C for Institutions of Higher Education (TAC 202). It provided guidelines for all of these control areas.

The prior audit also concluded that Alamo Colleges lacked organization-wide electronic data retention procedures to comply with Texas regulations. Recommendations were to develop a records management policy and related procedures, and to monitor compliance.

**Conclusions**

Management indicated that their actions were completed, and some improvements were evident in the College District’s information controls for these processes.

For example, the District Information Technology Services (ITS) Department adopted the Control Objectives for Information and Related Technology (COBIT) as its operational governance framework to standardize processes and improve internal controls. However, this Department still needs to document its COBIT activities. The District ITS Department provided information showing partial implementation and/or compliance with TAC 202. The District Departments involved in this audit follow-up had limited knowledge of these IT governance or TAC improvements.
Information Resources Control Environment Continued

Alamo Colleges had no business continuity plans for these functions, which was critical to COBIT and TAC 202.74 standards. HR Module data owners and users did not have a roadmap to follow if a business interruption event occurred. The Associate Vice Chancellor for HR/OD documented interim guidelines for her department during this audit. The District ITS Department provided its draft disaster recovery plan that was internally tested; this document lacked Management’s approval. Their plan and testing practices did not interface with HR Module data owners or users.

Alamo Colleges also complied with TAC 202.75 by establishing a change management protocol that appeared sufficient. The District ITS Department’s Configuration Change Control Procedure lacked Management’s approval. End-user training about the protocol was not available.

TAC 202 and 6.10 Texas State Records Retention Schedule addressed requirements for the management of electronic records like the Banner HR Module. Since 2006, the College District laid substantial groundwork for handling computer and/or electronic records by implementing Policy C.2.4 Records Management, the related Procedure, and related resource materials. Compliance monitoring and Department or College accountability await implementation.

Conditions – Information Resources Governance

The District ITS Department adopted COBIT as its governance framework in summer 2011; key Department and several College IT Staff received formal training. Documentation of ITS Department activities since then was incomplete. In spring 2013, the Departments performing human resources and payroll functions had no information about the implementation of this governance methodology.

TAC 202.74 Business Continuity Planning by Management is required for all critical business functions at a higher education institution. A written plan must include business impact analysis, risk assessment, implementation steps, testing procedures, plan maintenance, and disaster recovery details. It is essential that key personnel receive a copy of this plan, and that a copy be maintained offsite. Alamo Colleges Management did not have a business continuity plan in spring 2013.

The District ITS Department provided a copy of its draft disaster recovery plan with results of testing in January 2013. This document did not reflect Management or stakeholder approval signatures. Other Departments and the Colleges did not receive plan copies or participate in testing exercises.

HR/OD Department Management acknowledged that a District-Wide Emergency Management Plan was being developed and implemented to deal with physical safety/security for students, visitors, or personnel. They anticipate that a future version of this plan may address business continuity for computer applications, such as the Banner Human Resources Module.

The Associate Vice Chancellor for HR/OD documented a desktop procedure for her Department while this audit was in progress. Her Staff used it during a temporary relocation to SAC. The Finance and Fiscal Services Department Payroll Unit stated that it had no protocol for the Human Resources Module processes if a disaster impaired its daily operating activities.
Information Resources Control Environment Continued

TAC 202.75 Information Resources Security Safeguards recommend a change management policy to protect data from improper modification before, during, and after a system implementation.

The District ITS Department had a Configuration Change Control Procedure that was not signed by Management. It established a committee to evaluate requests, to assure that testing occurs, to validate end-user acceptance of results, and to retain appropriate supporting documentation. This Procedure required mass data changes using District ITS Staff scripts to be tested and validated by this committee.

The committee’s log for 2013 listed 115 requests including twelve for the Banner Human Resources Module. One HR/OD Department request was evaluated which appeared to comply with this Procedure.

Conditions – Records Management

Texas Administrative Code §6.10 states that a record listed in the Texas State Records Retention Schedule must be retained for the minimum period indicated.

The District began formalizing records management services in 2006 by hiring a manager. Trustees approved Policy C.2.4 Records Management in August 2009, and the District adopted related Procedure C.2.4.1 consistent with the Texas Local Government Records Act. In January 2010, the Finance and Fiscal Services Department assumed responsibility for these functions. The Manager was designated the District’s Chief Records Officer. This Unit created a robust webpage with resources for District and College personnel about records management requirements and resources. Department Management has plans to initiate a pilot compliance-monitoring program in 2014.
SCOPE AND METHODOLOGY
Conducted management and Staff interviews, reviews of documents, and detailed testing to determine if the corrective action implemented addressed the issues reported in the audit.

AUDITING STANDARDS
We conducted this follow-up audit in accordance with generally accepted governmental auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on our audit objectives.

This audit was also conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

ACKNOWLEDGEMENTS
The Human Resources and Organizational Development, Finance and Fiscal Services, and District Information Technology Services Departments provided exceptional cooperation for this project.

CRITERIA
Immigration Reform and Control Act of 1986
U.S. Citizenship and Immigration Services Handbook for Employers, Form I-9 Instructions
Treasury Publications for foreign persons with US Income Sources and Tax Withholding
Personal Responsibility and Work Opportunity Reconciliation Act of 1996
Social Security Specifications for Filing Forms W-2 Electronically (EFW2) for Tax Year 2012
Texas Administrative Code
Title 1 Administration Part 3 Office of the Attorney General
Chapter 55 Child Support Enforcement Subchapter I State Directory of New Hires
Title 1 Administration Part 10 Department of Information Resources
Chapter 202 Information Security Standards Subchapter C Security Standards for Institutions of Higher Education
§202.70 Security Standards Policy §202.73 Managing Physical Security
§202.71 Management and Staff Responsibilities §202.74 Business Continuity Planning
Title 13 Cultural Resources, Part 1 Texas State Library and Archives Commission
Chapter 6 State Records Subchapter A Records Retention Scheduling
Alamo Colleges Board Policies and related procedures
D.2.2 Hiring Practices D.2.3 Qualifications for Hire
D.2.4 Nepotism, Conflicts of Interest D.2.5 Hiring Authority, Status, Assignments & Duties
D.2.6 Telecommuting D.5.1 Employee Compensation & Exempt/Non-Exempt Status
D.5.3 Holidays, Leaves, & Absences D.11.1 Emergency Leave Bank
HR/OD Department’s Standard Operating Procedures for: I-9 Compliance; New Hires Extract to Upload to State OAG-Child Support; and Employment Audit, Termination of Employment and Rehire
Banner Human Resources/Position Control User Guide
<table>
<thead>
<tr>
<th>AUDIT REPORT DISTRIBUTION</th>
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<tbody>
<tr>
<td>Board of Trustees (9)</td>
<td>Chancellor</td>
</tr>
<tr>
<td>Vice Chancellors (5)</td>
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<tr>
<td>Associate Vice Chancellor for Human Resources &amp; Organizational Development</td>
<td>Associate Vice Chancellor for Finance &amp; Fiscal Services</td>
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<td>District Director of Information Technology Services</td>
<td>District Information Security Office</td>
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