PROJECT SUMMARY

Overview

Texas A&M University – Texarkana has processes and controls in place to provide reasonable assurance that human resources operations are performed effectively and efficiently and in compliance with applicable laws, policies, regulations, and rules except for its hiring and termination processes. Significant improvements need to be made in the establishment and documentation of standard processes to be followed in the hiring of faculty and staff and in the timely completion of the University’s employee termination process requirements. Opportunities for improvement also exist in the areas of timely completion of Form I-9s and documentation of procedures for performance evaluations.

The University had over 440 faculty, staff and student workers with combined salaries, wages and benefits of approximately $14 million in fiscal year 2010.

Summary of Significant Results

Hiring Processes

The University has not established comprehensive rules and procedures to be followed and documented during the hiring process for faculty and staff positions. For the faculty and staff hiring files reviewed, 38 of 40 (95%) had incomplete documentation. Hiring file documentation that was lacking included verification of educational degrees, reference checks,
interview questions and responses, and applicant ratings or scores. Weaknesses in the University’s hiring process increases the risk that the University cannot demonstrate that the best qualified candidate is hired and that its hiring decision is supported and well documented.

**Terminations**

The University’s termination process is not being consistently followed to ensure that all requirements are completed in a timely manner when faculty and staff leave employment. Twelve of 20 terminated employees did not have access to information and charge card system removed timely. Twelve of 12 benefit eligible terminated employees did not receive insurance coverage notifications required by federal law. Limited guidance and the lack of monitoring increases the University’s risk that required steps in the termination process are not completed, thus increasing the University’s risk for unauthorized access to University’s resources and noncompliance.

**Summary of Management’s Response**

*Texas A&M University – Texarkana’s administration is in agreement with the recommendations as set forth from the Internal Audit Department’s review of the human resources processes.*

*The University’s first professional Human Resources director was hired October 2009. At that time, because of the transition in personnel, the University asked the Texas A&M University System Internal Audit department to provide an evaluation and audit of the processes and procedures of our entire human resources function.*

*Administration is taking necessary actions to improve processes and strengthen procedures related to employee hiring, terminations, and evaluations.*

**Scope**

The review focused on the University’s faculty and staff human resources processes for the period January 1, 2010 to December 31, 2010. Areas reviewed included hiring, state-mandated training, performance evaluations, annual reviews, terminations, and grievance processes. Fieldwork was conducted from February to April, 2011.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Hiring Process

Observation

The University has not established comprehensive rules and procedures to be followed and documented during the hiring process for faculty and staff positions. Hiring files reviewed did not contain the appropriate information to support the selection of the employee hired and demonstrate that the best qualified candidate was selected in an objective and unbiased evaluation of the candidates’ knowledge, skills, education, abilities, and experience.

For the faculty and staff hiring files reviewed, 38 of 40 (95%) had incomplete documentation (some had multiple exceptions) as noted below:

- Thirty-six files (19 faculty, 17 staff) did not have documentation of reference checks.
- Nineteen files (13 faculty, 6 staff) did not have the support to determine if the position was advertised on the Texas Workforce Commission website as required by state law.
- Eight files (staff) did not have documentation of degree verifications or other minimum job requirement verifications.
- Six files (faculty) did not have the selection committees’ narrative and recommendation for appointment.
- Eighteen files (6 faculty, 12 staff) did not have documented interview questions and responses.
- Fifteen files (6 faculty, 9 staff) did not have documentation of the applicants’ rating or scores.
- Twelve files (staff) did not have approved exception to hiring freeze forms.
- Eight files (staff) did not contain applications for all individuals that were interviewed.
1. Hiring Process (cont.)

- Three files (staff) did not have completed authorization to hire forms.

A&M System Regulation 33.99.01 requires that employment decisions be based on job-related factors such as education, experience, knowledge, skills, abilities, license/certification preferences requirements, results of reference checks, and success in previous employment. It also requires that relevant information be retained. Although some guidance was provided, supervisors were not aware of hiring documentation requirements such as completing reference checks and degree verifications to provide corroborative evidence of the applicant’s expertise, accomplishments, and character. Properly completing the hiring process, including documenting that all hiring steps are completed, reduces the risk that supervisors will make poor hiring decisions.

The University’s application for employment form did not have an area for the applicant to indicate military service or foster child hiring preferences. Management was unaware of these preferences. Texas Government Code Sections 657 and 672 specify circumstances in which applicants shall be given preference in hiring based on veteran or foster child status.

In addition, signed offer letters were not obtained for new staff hires to document employment offer and acceptance. Offer letters, signed by both parties, provide an effective communication tool that documents both parties’ understanding and agreement to the terms and conditions of the employment offer.

**Recommendation**

To improve the hiring process for faculty and staff, the University should:

- Establish comprehensive rules and procedures to be followed and documented in the hiring process for both faculty and staff.

- Assign Human Resources the authority for oversight of the hiring process to ensure compliance with University hiring procedures. Monitor to ensure that procedures have been followed and that all required documentation is included in official hiring files.

- Develop and implement a process to ensure compliance with Texas Workforce Commission requirements for open faculty and staff positions.
1. Hiring Process (cont.)

- Require hiring supervisors to periodically attend training on the hiring process, including the documentation that should be completed and properly retained.
- Obtain signed offer letters for new staff employees.
- Update the University’s application form to include an area for the applicant to request military service and foster child hiring preferences.

Management’s Response

Texas A&M University – Texarkana’s administration concurs with the recommendations of the A&M System audit team and has taken the following actions: Human Resources is developing a comprehensive Hiring Process Procedure (33.99.01.H.0.01; Employment Practices) which will be approved by the Administrative Council by September 1, 2011. This procedure incorporates the recommendations of the audit team and assigns authority of the Director of Human Resources/EEO for oversight of the hiring process. In addition, as part of this procedure, the hiring checklist has been modified to effectively capture the date the position is posted to the Texas Workforce Commission; confirmation of background check completion; confirmation of degree verification; and confirmation of selective service registration. Signed offer letters are now being obtained for new staff hires.

On July 13, 2011, the first of a series of mandated supervisor trainings took place with the review of the new hiring process procedures. Changes in the employment application adding information on veteran’s status and foster child information were made and have been placed into effect. A&M University-Texarkana is currently in discussions with Texas A&M University to provide shared services in the area of applicant application and tracking through PeopleAdmin. Implementation is scheduled to begin in August 2011. This software will streamline our current manual processes as well as automatically post to the Texas Workforce Commission.

2. Termination Process

Observation

The employee termination process needs improvement to ensure all requirements are completed in a timely manner.

The University’s termination process is not being consistently followed to ensure that all requirements are completed in a timely manner when faculty and staff leave employment. The following issues were noted in the testing of the termination process:
2. Termination Process (cont.)

- Twelve of 20 (60%) terminated employee files (faculty and staff) reviewed did not have access to information and charge card systems removed timely. In some cases, access was not removed until several months after termination. Exceptions noted included ten employees who did not have computer access to the active directory removed until two to 190 days after termination; two employees who did not have access to Banner, the student information system, removed until seven and 17 days, respectively; one employee who did not have access to FAMIS, the financial accounting system, removed until 18 days after termination; and two employees who did not have access to corporate charge card accounts removed until 23 and 24 days after termination, respectively. The University’s employee exit process includes notification of departments with responsibility for these information systems; however, the process does not include verification from these departments that access has been removed. Without standardized processes that include verification that exit steps have been completed, the risk is increased that terminated employees may maintain access to University systems and resources without authorization.

- Twelve of 12 (100%) benefit eligible terminated employees reviewed did not receive written Consolidation Omnibus Budget Reconciliation Act (COBRA) notifications as required by federal law. Human Resources staff had the understanding that letters were automatically generated by the payroll system. Although the payroll system automatically generated COBRA notification letters for newly hired employees, the system was not set up to automatically generate the COBRA notification letters for terminating employees. Without adequate monitoring procedures in place to ensure that required notifications are provided, the University risks possible penalties for noncompliance with federal requirements.

- Ten of 20 (50%) personnel files reviewed did not have completed termination checklists. Eight of 20 (40%) files did not have completed property clearance forms. There was no process in place to ensure that all necessary checklists were completed before the exit process was considered final. Checklists are a valuable tool for ensuring that all necessary steps in the employee exit process have been completed in order to ensure that former employees do not have inappropriate access to University resources.
2. Termination Process (cont.)

Recommendation

To improve the employee termination process the University should:

- Establish processes that ensure access to information systems and corporate charge card accounts are cancelled when employees terminate, and monitor to ensure timely cancellation.

- Ensure that written COBRA notifications are provided to terminating employees.

- Establish comprehensive checklists for exit processing and ensure they are consistently completed before finalization of the termination process.

- Provide Human Resources personnel with training on the information systems used in personnel and payroll processing and reporting, such as the Budget/Personnel/Payroll (B/P/P) System.

Management’s Response

Texas A&M University – Texarkana’s administration concurs and is taking the following actions: The termination checklist has been modified to include confirmation that all accounts and access have been terminated or transferred to a responsible party. This confirmation is delivered via email from Information Technology, Accounting or responsible departments on the day following the employees final work day. Those accounts include state travel card, information systems, account software, and email. In addition, the checklist now requires sign-off on COBRA notification letters being sent to the separated employees. On June 2nd and 3rd, 2011, the Human Resources staff attended a two-day training session at the System Offices with B/P/P. Annual training will also be scheduled to ensure they are current on system uses.

3. Form I-9 Completion

Observation

The University is not ensuring that Form I-9s, Employment Eligibility Verification, are completed accurately and within three days of employment as required by the Department of Homeland Security. Two of 40 (5%) Form I-9s reviewed were completed after the employee’s third day of employment (7 days and 15 days). Failure to complete the Form I-9s accurately and timely
3. Form I-9 Completion

( cont. )

Comprehensive procedures are needed for monitoring staff evaluations.

The completion of Form I-9s puts the University at risk for possible civil and criminal penalties according to the Immigration Reform and Control Act of 1986.

**Recommendation**

Monitor the completion of Form I-9s to ensure they are completed timely. Ensure that Human Resources personnel complete training and are knowledgeable of Form I-9 completion requirements.

**Management’s Response**

Texas A&M University – Texarkana’s administration concurs and is taking the following actions: Human Resources staff has been trained on the I-9 requirements and its importance. Procedures have been implemented to monitor and ensure all required documentation is completed accurately and timely.

4. Procedures for Evaluations

**Observation**

There is a lack of comprehensive documented procedures for the Human Resources Office monitoring process for the staff annual evaluations. Without comprehensive documented procedures the risk is increased that important procedures and requirements will be bypassed, incompletely performed, or inappropriately handled. Documented procedures also assist with training and continuity should employee turnover occur.

**Recommendation**

Establish documented procedures for monitoring staff evaluations.

**Management’s Response**

Texas A&M University – Texarkana’s administration concurs and is taking the following actions: Human Resources will develop a comprehensive procedure for the evaluation process. This procedure (33.99.03.H1.01: Performance Evaluations for Non-Faculty Employees) will include reporting requirements and evaluation tracking methodology. This procedure will be written and approved by the Administrative Council by August 31, 2011 for implementation September 1, 2011.

Once the PeopleAdmin software has been upgraded for the evaluation process, the University will move the evaluation process
4. Procedures for Evaluations (cont.)

to that module of the software. This upgrade is scheduled to be done by fall of next year with our go live in January 2013.
BASIS OF REVIEW

Objective

The objective of this audit was to analyze the University’s management processes over human resources to determine if strategic and operational results and outcomes are achieved in an efficient and effective manner, and to determine compliance with laws, policies, regulations, and rules.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government 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 our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The University's Office of Human Resources reports to the Vice President for Finance and Administration. Human resources functions are centrally performed and monitored to ensure compliance with laws, policies, regulations, rules and procedures by the Office of Human Resources for staff and the Office of the Provost for faculty.

The University had approximately 440 faculty, staff and student workers with combined salaries, wages and benefits of approximately $14 million in fiscal year 2010.
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