UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

HUMAN RESOURCES

REPORT NO. AR2019-23

UNIVERSITY OF HOUSTON SYSTEM
Internal Auditing Department
Houston, Texas 77204-0930
(713)743-8000
Fax: (713)743-8015

MEMORANDUM

TO: Mr. Peter K. Taaffe
Chair, Audit and Compliance Committee

Dr. Renu Khator
Chancellor/President, UHS/UH

FROM: Don F. Guyton
Chief Audit Executive

DATE: August 1, 2019

SUBJ: Internal Audit Report – UHS Human Resources

I have attached for your review the final draft of the above referenced internal audit report. This report has been distributed to/discussed with key personnel of the University of Houston System. This report is summarized as follows:

Executive Summary:

We performed a review of human resources at the University of Houston System universities. Our primary objective of this review was to determine whether resources are being effectively and efficiently deployed under an adequate system of internal controls to help ensure employees are recruited and selected timely, and in compliance with statutes, regulations, and university policies. In our opinion, the University of Houston System universities have adequate internal controls to help ensure the recruitment and selection of employees is conducted timely and in accordance with statutes, regulations, and university policies. Although we noted no matters that we considered to be significant risk exposures and control issues, we did note opportunities for improvement in the following areas: customer satisfaction, goals and objectives, policies and procedures, and UHCL's strategic hiring process and use of Taleo applicant tracking system.

This audit report is scheduled to be included in the agenda materials for the August 22, 2019, meeting of the Audit and Compliance Committee of the Board of Regents. Please let me know if you have any questions.

Attachment

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UNIVERSITY OF HOUSTON SYSTEM HUMAN RESOURCES

BACKGROUND:

We performed a review of human resources of the University of Houston System. The University of Houston System Human Resources departments are responsible for attracting, developing, motivating, and retaining a diverse and engaged workforce in addition to providing customer service to University of Houston System employees on human resources related matters. Below is a table representing the number of employees in the Human Resources departments at each university, the total salaries for FY 2019, and the total number of university employees.

University	Human Resources Employees	Human Resources Salaries, FY 2019	University Employees
UH	49	$3,359,791	6,494
UHCL	10	$771,355	1,538
UHD	17	$1,068,711	1,600
UHV	8	$353,117	689

OBJECTIVES:

The objectives of our review were as follows:

1. Determine whether the department's activities are helping accomplish its goals and objectives.

2. Determine whether resources are being effectively and efficiently deployed under an adequate system of internal controls and activities comply with statutes, regulations, and policies.

3. Determine whether there are opportunities for standardization among departments/campuses.

SCOPE OF WORK:

We interviewed human resources personnel, reviewed policies and procedures, conducted a customer satisfaction survey, and performed other audit procedures, as appropriate.

CONCLUSION:

In our opinion, the University of Houston System universities have adequate internal controls to help ensure the recruitment and selection of employees is conducted timely and in accordance with statutes, regulations, and university policies. Although we noted no matters that we considered to be significant risk exposures and control issues, we did note opportunities for improvement in the following areas: customer satisfaction, goals and objectives, policies and procedures, and UHCL's strategic hiring process and use of Taleo applicant tracking system.

Appendix A lists the areas where there are opportunities for improvement, recommendations that will enhance the control environment in these areas, and management's responses.

Don F. Guyton
Chief Audit Executive
June 25, 2019

APPENDIX A

OPPORTUNITIES FOR IMPROVEMENT

UHCL Strategic Hiring Process

UHCL's hiring process is inefficient and requires multiple approvals prior to posting a vacant position. Based on comments from employees on our customer satisfaction survey, the approval process to post vacant positions was burdensome, time consuming, and lacks transparency.

In September 2018, UHCL implemented a Strategic Hiring process by which all requests to post, create, reorganize, re-classify or eliminate regular, full and part-time staff positions (excluding grounds workers, janitorial staff, and student workers) require review by the Strategic Hiring Committee prior to being submitted to the President for approval. The Strategic Hiring Committee consists of the Provost, Vice President for Student Affairs, Budget Office Director, Vice President for Administration and Finance, and the Executive Director of Human Resources. A request to post a position must be approved by both the Strategic Hiring Committee and the President before it can be posted. The UHCL Executive Director of Human Resources stated the Provost had come from a university that had implemented a strategic hiring process similar to this.

According to the UHCL Executive Director of Human Resources, prior to September 2018 all requests to post vacant positions were approved by the President and there was a backlog of positions to be posted. The UHCL Executive Director of Human Resources also stated the university needed to implement a process that would assist with the backlog of vacant positions, budgetary issues, and strategic alignment of university personnel with the university mission and goals. In addition, the UHCL Executive Director of Human Resources stated that a goal of the President was to strategically align physical resources with the needs of the movement to a four year university and the individuals involved in the Strategic Hiring process have a high level view of university personnel needs, how best to align those needs, and resource availability from other areas.

Recommendation (UHCL): Management should develop a formal university-wide strategic staffing plan to address the university's budget and strategic needs and implement an efficient (i.e. less burdensome, less time consuming, and more transparent) process for approving requests to post vacant positions.

Management Response: In FY18, a Strategic Hiring Process was implemented to manage a sizeable university deficit and significant enrollment decline. For FY20, the university budget is balanced and university enrollment has increased. In August 2019, university-wide working groups will be created in order to develop formal hiring policies and processes appropriate for employee groups. The anticipated completion date for all policies and processes is March 1, 2020.

Customer Satisfaction

UHV has a customer satisfaction survey located on their website to obtain continuous feedback regarding timeliness and courteousness of responses, whether the issue raised was resolved, and overall customer satisfaction. UHD stated that they previously obtained customer feedback regarding customer satisfaction in 2014. UH and UHCL do not have a customer satisfaction survey to obtain feedback from customers.

A customer satisfaction survey was distributed to various college and division business administrators at each university to obtain feedback regarding the services provided by the Human Resources departments. The questions focused on timeliness and courteousness of responses, advice provided, accessibility of staff, the recruitment and placement process, and overall customer satisfaction within each Human Resources functional area (i.e. payroll, benefits, compensation, etc.). The table below represents the percentage of responses that either strongly agree or agree that the Human Resources function is performing satisfactory services versus those responses that are neutral, disagree or strongly disagree that the Human Resources function is performing satisfactory services. The overall customer satisfaction results are included in the table below.

Overall Satisfaction for Human Resources Functional Area							
	Payroll	**Benefits**	**Compensation**	**Employee Relations**	**Training and Development**	**Talent Acquisition/ Employment**	**Front Desk**
UH	49%	10%	55%	45%	51%	66%	28%
UHCL	50%	100%	60%	70%	80%	70%	90%
UHD	70%	80%	80%	40%	80%	70%	60%
UHV	84%	83%	66%	83%	84%	66%	83%

Noted below are some of the comments provided by individuals regarding the services provided by the Human Resources departments. These comments relate to inefficient and ineffective processes, unresponsiveness, training, customer support, and staffing.

UH

- Employees are generally courteous.
- Employees are not accessible and responses are not prompt.
- Lack of appropriate staffing.
- Erroneous and/or conflicting advice/information provided to customers.
- Website is difficult to navigate and does not contain needed information.
- Taleo is difficult to navigate and additional training is needed for customers.

UHCL

- Front Desk employee is very courteous and helpful.
- Employees are not accessible and responses are not prompt.

- Strategic hiring committee process is burdensome, time consuming, and lacks transparency.
- Lack of subject matter experts in certain areas (payroll and the Human Resources Information System) to answer questions without UHS assistance.

UHD
- Employees are not accessible and responses are not prompt.
- Website is difficult to navigate.
- Lack of subject matter experts in certain areas (Payroll) to answer questions without UHS assistance.
- Lack of customer service at the front desk.
- Taleo is difficult to navigate and additional training is needed for customers.

UHV
- Recruitment and placement process lacks transparency and is time consuming.
- Taleo is difficult to navigate and additional training is needed for customers.

Recommendation: The universities should evaluate the efficiency and effectiveness of its processes in order to enhance responsiveness, training, and customer support, and modify processes and staffing, as appropriate. UH, UHCL, and UHD should develop a customer satisfaction survey to obtain ongoing feedback from customers related to efficiency and effectiveness. UHS management should work with the universities to develop system-wide customer satisfaction standards.

Management's Response (UHS/UH): We will continue to evaluate the efficiency and effectiveness of our processes in order to enhance responsiveness, training, and customer support, and modify processes and staffing, as appropriate. We have already begun this process by filling key vacant positions within the department, developing internal HR Customer Service training, retraining employee backups to assist during peak times, and revamping the HR Online Services Guide. We also plan to clarify business partner roles and responsibilities, set timeframes for communication responses, and assess workloads and staffing needs. In addition, we will implement a customer satisfaction survey and include the link on our website and below each employee's email signature line, develop service level agreements for payroll, and provide additional training to Taleo end users by June 30, 2020. We will include an agenda item on the agenda for our Chief Human Resources Officers monthly meeting to develop system-wide customer satisfaction standards for the universities.

Management's Response (UHCL): UHCL will evaluate the efficiency and effectiveness of its processes in order to enhance responsiveness, training, and customer support, and modify processes and staffing, as appropriate. UHCL will also develop a customer satisfaction survey to obtain ongoing feedback from customers related to efficiency and effectiveness while working with System management to develop system-wide customer satisfaction standards. The projected implementation date is January 1, 2020.

Management's Response (UHD): ESO works diligently at providing excellent customer service and being accessible and responsive to our constituents, such as: staggering lunch breaks

and vacations; requiring voicemails and emails be responded to within 24 hours; and using social media and a blog to share important HR information. We also plan to provide additional training to front-desk employees, implement a new system-wide employee relations software to improve operational efficiencies, and lead a system-wide review of Taleo to better gauge issues and enhance the level of service provided by the talent acquisition department. In addition, we plan to provide additional training to Taleo end users by November 1, 2019 and implement a customer satisfaction survey, including the survey link on our website and at the bottom of each ESO's team member's email signature line.

Management's Response (UHV): UHV continuously reviews customer service, efficiency and effectiveness through a customer service survey provided on the UHV HR Web Site. In addition, a customer service survey link is provided at the bottom of each employee's signature line on emails to encourage feedback. Survey results are discussed monthly at department meetings, and adjustments to processes are made when appropriate. For example, in response to feedback from the Deans and Provost Office, UHV HR recently changed the faculty offer workflow in TALEO to streamline the process. We will continue to assess the efficiency and effectiveness of our processes in order to enhance responsiveness, training, and customer service. In addition, we plan to offer additional training on the TALEO applicant tracking system to the university community. This training will be completed by October 31, 2019.

UHCL's Use of Taleo Applicant Tracking System

The Human Resources department at each university is responsible for the job posting, recruitment, and selection of staff employees at their university. The universities use the Taleo applicant tracking system (Taleo) to perform this process. Taleo provides an electronic means of performing the various job posting, recruitment, and selection tasks, including requesting and posting positions to be filled, obtaining required approvals, receiving and reviewing applicant information, selecting and dispensing applicants, making job offers, and performing new employee onboarding.

The hiring departments at UH, UHD, and UHV utilize the functionality in Taleo to process job posting requests; review, select, and dispense applicants; make job offers; and upload documentation related to the hiring process. However, the hiring departments at UHCL only utilize limited functionality in Taleo, such as approving job posting requests authorized by the Strategic Hiring process and approving selected applicants. The UHCL Human Resources department utilizes Taleo for other job posting, recruitment, and selection tasks which are performed by the hiring departments at other universities. As a result, the UHCL Human Resources department emails job applicant information to the hiring department for their review, selection, and dispensing of applicants and relies upon email and verbal communications to complete other related tasks.

Recommendation (UHCL): Management should streamline the job posting, recruitment, and selection process by requiring hiring departments to utilize the functionality in Taleo to process job posting requests; review, select, and dispense applicants; make job offers; and upload documentation related to the hiring process.

Management Response: The Human Resources department is in the process of reorganizing. The Taleo functions for the employment process will be reallocated to the hiring department level. Training will begin September 1, 2019. Completion date for full implementation is June 1, 2020.

Goals and Objectives

Each university Human Resources department has a mission statement that states their mission is to attract, develop, motivate, and retain a diverse workforce. The Human Resources departments at all universities annually develop or reassess their goals and objectives. The Human Resources department at UHD developed 33 goals and objectives and annually focus on 12 to 13. Each Human Resources department serves their university through a similar mission, however, the number and type of goals and objectives vary by university. During our review of the goals and objectives of each university, we noted the following.

- UH developed the following goals and objectives for FY 2018: aligning staff training to division needs, streamlining the new hire orientation program, enhancing the employee electronic record system, and finalizing division metrics. However, no performance indicators were developed to measure the accomplishment of these goals and objectives.
- UHCL developed the following goals and objectives for FY 2019: analyzing compensation and job descriptions, revising Human Resources policies, and establishing the infrastructure and resources for talent development. However, no performance indicators were developed to measure the accomplishment of these goals and objectives.
- UHD focused on 13 goals and objectives for FY 2019 in the following areas: payroll, talent acquisition, talent development, employee relations, benefits, and compensation. They have developed performance indicators and plan to measure them at the end of the year.
- UHV developed the following goals and objectives for FY 2019: recruiting and retaining a qualified workforce; maintaining a working, learning, and living environment that welcomes everyone; and providing efficient, quality services. They have developed performance indicators for these goals and objectives that are measured annually.

Recommendation: UH and UHCL should develop performance indicators to measure the accomplishment of goals and objectives and measure them periodically. In addition, UHS management should work with the universities to identify common goals and objectives and related performance indicators.

Management's Response (UHS/UH): Two of the four developed goals remain to be accomplished and we have developed timeframes to measure the accomplishment of these goals. We expect the remaining two goals to be completed by June 30, 2020.

Management's Response (UHCL): UHCL will develop performance indicators to measure the accomplishment of goals and objectives and measure the achievement of the established performance indicators, as appropriate. The projected implementation completion date is September 1, 2020.

Policies and Procedures

The Human Resources departments at each university did not have complete, documented, and well-codified written departmental procedures. Each university performs similar key tasks/processes, however, procedures varied in format, content, and level of detail. During our review of the procedures of each university, we noted the following.

- UH did not have complete, documented, and well-codified written departmental procedures. Procedures related to benefits and compensation were not complete and there were no procedures related to the management of the Human Resources Information System (HRIS).
- UHCL had a departmental procedures manual. However, procedures such as compensation and employee relations, lacked sufficient detail to help ensure employees understand how to perform tasks. In addition, the procedures needed to be updated.
- UHD had desk manuals for the various Human Resources areas.
- UHV had desk manuals for the various Human Resources areas. However, there were no departmental procedures related to compensation and the workers compensation procedures were out of date.

Recommendation: The universities should develop a complete, and well-codified set of written departmental procedures for key Human Resources tasks/processes. In addition, UHS management should work with the universities to identify where the Human Resources departmental procedures can be standardized with respect to format, content, and level of detail.

Management's Response (UHS/UH): The Benefits Department, Compensation Department and HRIS Department will have standard operating procedures completed by June 30, 2020. We will include an agenda item on the agenda for our Chief Human Resources Officers monthly meeting to identify where the Human Resources departmental procedures can be standardized with respect to format, content, and level of detail.

Management's Response (UHCL): UHCL will develop a complete, and well-methodized set of written departmental procedures for key Human Resources tasks/processes such as compensation and employee relations. The projected completion date is September 1, 2020.

Management's Response (UHV): UHV will update procedures in the workers compensation desk manual and develop a desk manual outlining departmental procedures for compensation by October 31, 2019.

University of Houston System
Internal Auditing Department

UHS Human Resources - AR2019-23
Action Plan

Est. Compl. Date	Responsibility for Action Name/Title	Action To Be Taken
Risk Level: High Medium Low		
March 1, 2020	Brad McGonagle UHCL Executive Director Human Resources	Develop formal hiring policies and processes appropriate for employee groups.
June 30, 2020	Gaston Reinoso UHS/UH Associate VC/VP Human Resources	Implement a customer satisfaction survey, develop service level agreements for payroll, and provide additional Taleo training to help evaluate and enhance the efficiency and effectiveness of human resources processes.
January 1, 2020	Brad McGonagle UHCL Executive Director Human Resources	Implement a customer satisfaction survey to help evaluate and enhance the efficiency and effectiveness of human resources processes.
November 1, 2019	Invonne Montalbano UHD Vice President Employment Services and Operations	Implement a customer satisfaction survey and provide additional Taleo training to help evaluate and enhance the efficiency and effectiveness of human resources processes.
October 31, 2019	Laura Smith UHV Director Human Resources	Provide additional Taleo training.
June 1, 2020	Brad McGonagle UHCL Executive Director Human Resources	Require hiring departments to utilize the functionality in Taleo to process job posting requests; review, select, and dispense applicants; make job offers; and upload documentation related to the hiring process.
June 30, 2020	Gaston Reinoso UHS/UH Associate VC/VP Human Resources	Measure the accomplishment of the goals and objectives developed for the human resources department.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

University of Houston System
Internal Auditing Department

UHS Human Resources - AR2019-23
Action Plan

Est. Compl. Date	Responsibility for Action Name/Title	Action To Be Taken
Risk Level:	**High**	**Medium** **Low**
September 1, 2020	Brad McGonagle UHCL Executive Director Human Resources	Develop performance indicators to measure the accomplishment of goals and objectives and measure the achievement of the established indicators, as appropriate.
June 30, 2020	Gaston Reinoso UHS/UH Associate VC/VP Human Resources	Develop written departmental procedures for the benefits, compensation, and HRIS departments.
September 1, 2020	Brad McGonagle UHCL Executive Director Human Resources	Develop written departmental procedures for key human resources tasks.
October 31, 2019	Laura Smith UHV Director Human Resources	Update written departmental procedures for the workers compensation and develop written departmental procedures for compensation.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.