

HUMAN RESOURCES
CALIFORNIA STATE UNIVERSITY,
CHICO

Report Number 04-31
February 3, 2005

Members, Committee on Audit

Roberta Achtenberg, Vice Chair
Herbert L. Carter Moctesuma Esparza
Debra S. Farar Bob Foster William Hauck
Raymond W. Holdsworth

Staff

University Auditor: Larry Mandel
Senior Director: Janice Mirza
Audit Manager: Michelle Schlack

BOARD OF TRUSTEES
THE CALIFORNIA STATE UNIVERSITY

CONTENTS

Executive Summary	1
Introduction.....	3
Background	3
Purpose.....	4
Scope and Methodology	5

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

Recruitment, Selection, and Hiring.....	6
Written Policies and Procedures	6
Faculty and Staff Files	7
Special Consultants	9
Conflict of Interest	11
Compensation, Benefits, and Employee Programs	12
Written Policies and Procedures	12
Compensation Requests	14
Information Security	16

APPENDICES

APPENDIX A:	Personnel Contacted
APPENDIX B:	Campus Response
APPENDIX C:	Chancellor's Acceptance

ABBREVIATIONS

CSEA	California State Employees' Association
CSU	California State University
CSUC	California State University, Chico
FML	Family Medical Leave
GC	Government Code
HEERA	Higher Education Employee Relations Act
HIPAA	Health Insurance Portability and Accountability Act
HR	Human Resources
MPP	Management Personnel Plan

EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of the University Auditor during the last quarter of 2002, the Board of Trustees, at its January 2004 meeting, directed that *Human Resources* be reviewed.

We visited the California State University, Chico campus from September 20, 2004, through October 8, 2004, and audited the procedures in effect at that time.

In our opinion, the administration and management of the human resources function needed improvement in areas such as developing and/or updating policies and procedures in various operations areas; evidencing compliance with campus and systemwide policies for recruiting, selecting, and hiring tenure-track faculty; issuing system access to confidential employee information; and handling staff compensation actions. Notwithstanding significant budget cuts and the loss of up to three human resources managers, the vice provost of human resources developed and implemented comprehensive policies and procedures in the faculty recruitment area and championed the implementation of PeopleSoft Human Resources on the campus.

The following summary provides management with an overview of conditions requiring attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [] refer to page numbers in the report.

RECRUITMENT, SELECTION, AND HIRING [6]

Written policies and/or procedures for certain aspects of the recruitment, selection, and hiring function were non-existent. Specifically, the campus had not developed or documented policies and procedures for verifying educational qualifications of new staff, including administrators, and protecting confidential employee recruitment, selection, and hiring information. In addition, recruitment and hiring practices for faculty and staff did not always ensure that campus files were properly documented and in compliance with related policies and procedures; campus practices for hiring and compensating special consultants needed improvement; and certain campus appointments represented conflicts of interest and resulted in nepotistic employment situations.

COMPENSATION, BENEFITS, AND EMPLOYEE PROGRAMS [12]

Policies and/or procedures that impact compensation, benefits, and employee programs were non-existent, incomplete, and/or outdated. Specifically, campus policies and procedures for administering compensation requests were outdated, did not reflect the current practice of handling compensation requests, and were not published on the campus' website for general employee information; the campus fee waiver policy did not include guidelines for maintaining confidentiality of program information; and the campus had not developed, documented, or communicated procedures for requesting benefits under the Family Medical Leave program. A review of 12 compensation actions disclosed numerous processing exceptions that included, but were not limited to, the lack of clear documentation of the date that employees were notified of and campus management's approval of compensation actions.

INFORMATION SECURITY [16]

The protection of confidential employee information needed improvement. Specifically, compensation and fee waiver information was maintained in a human resources manager's office in an unlocked filing cabinet, and on a bookshelf, respectively; the campus had not implemented a formal access approval process whereby system access was only granted upon review and written approval by the campus president or vice president of business and finance; and employees with system access to confidential employee information were not required to sign a confidentiality agreement.

INTRODUCTION

BACKGROUND

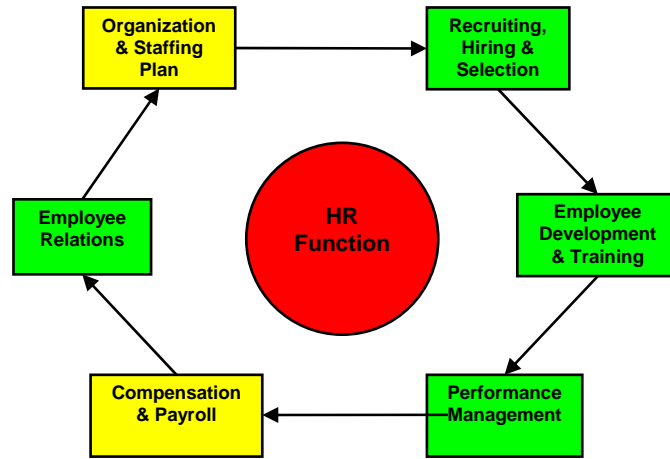
Human resources management is organizing, guiding, providing resources for, and interacting with employees. To be effective, the human resources function must be aligned with the organization's goals and objectives and administered in a manner that meets extensive legal and regulatory challenges. At the California State University (CSU), the human resources management function is a shared responsibility between the chancellor's office and the campuses to:

- ▶ Plan for the movement of people into, within, and out of employment with the university.
- ▶ Recruit and select personnel with the appropriate skills, knowledge, and abilities.
- ▶ Train and develop staff members to enhance their capabilities.
- ▶ Provide compensation and benefits that attract, motivate, and retain talented employees.
- ▶ Appraise and report employee performance to identify areas that need improvement and provide positive reinforcement for effective performance.
- ▶ Maintain effective employee relations.
- ▶ Provide for employees' safety by minimizing the risk of illness and injury in the workplace.

As a state agency and a recipient of federal funds, the CSU must perform its human resources management responsibilities within legal constraints imposed by the government. In addition to Board of Trustee policies, the university must comply with major federal and state laws that govern human resources management practices and address equality and fairness in the workplace. Such laws include, but are not limited to, Title VII of the Civil Rights Act of 1964, the Equal Pay Act of 1963, the Age Discrimination in Employment Act, the Vietnam Veteran's Readjustment Act of 1974, and the Americans with Disabilities Act of 1990. As a result of the Higher Education Employee Relations Act (HEERA) of 1979, human resources management activities must also be performed within the parameters of collective bargaining and negotiated union contracts.

Human resources management activities rely on effective information management systems for operational efficiencies and controls; however, one of the major advantages of such systems is also a potential liability. As part of their job responsibilities, employees have access to information that can be useful for decision-making; however, most of that information needs to remain private and is presently regulated by such laws as the Information Practices Act of 1977, the Health Insurance Portability and Accountability Act (HIPAA) of 1996, and the Board of Trustees' own policies for personal information management.

In fiscal year 2002/03, the CSU expended approximately \$2.8 billion (or 64 percent of total operating expenses) on salary and benefits for faculty and staff. Because of this investment, the university remains accountable for implementing a dynamic human resources function that attracts and maintains qualified personnel. For the scope of this audit, we will review components of the following human resources management activities:



PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to the administration of the human resources function and to determine the adequacy of controls over the related processes to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

Within the overall audit, specific goals included determining whether:

- ▶ Administration and management of the human resources function provide effective internal controls, clear lines of organizational authority, delegations of authority, and documented policies and procedures.
- ▶ Processes and procedures ensure timely and effective communication of CSU and campus policies and federal and state laws and regulations in the employment area.
- ▶ Employees are sufficiently apprised of acceptable business practices and expected standards of ethical and moral behavior and report conflict of interest situations.
- ▶ Recruitment, selection, hiring, and appointment activities are properly authorized, ensure employment eligibility, and comply with state and federal laws and regulations and collective bargaining agreements.
- ▶ Professional licenses, certificates, and/or registration requirements for applicable employees are properly maintained.

- ▶ Employee compensation and benefit requests are properly authorized, timely processed, and comply with applicable collective bargaining agreements as well as campus and CSU policy.
- ▶ Managers, supervisors, and other persons involved in recruiting and interviewing staff and processing employee compensation, benefits, and program requests are appropriately trained and knowledgeable of assigned human resources responsibilities, including the protection of confidential employee information.
- ▶ Confidential hard-copy and system information, such as information pertaining to recruitment, selection, and hiring activities, and compensation and benefit requests are reasonably secure.

SCOPE AND METHODOLOGY

The proposed scope of the audit, as presented in Attachment B, Audit Item 2 of the January 27-28, 2004, meeting of the Committee on Audit, stated that the review would include compliance with employment laws and regulations, position classification/compensation, advertising for prospective employees, employee training, and programs for employee benefit administration. The Office of the University Auditor has not previously reviewed *Human Resources*.

Our study and evaluation were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that operational and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor and campus policies, letters, and directives. The audit review focused on procedures in effect during fiscal year 2003/04. Throughout this report, we will refer to human resources as the primary audit subject. At California State University, Chico, the vice provost of human resources and other responsible individuals administer the human resources function.

We focused primarily upon internal, administrative, compliance, and operational controls over the management of the human resources function. Specifically, we reviewed and tested:

- ▶ Administrative policies, procedures, and processes.
- ▶ Communication of CSU policies and other directives.
- ▶ Conflict of interest forms and training programs.
- ▶ Recruitment, selection, and hiring activities for faculty and staff, including training processes.
- ▶ Administration of compensation, benefits, and employee programs.
- ▶ Maintenance and protection of confidential human resources information.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

RECRUITMENT, SELECTION, AND HIRING

WRITTEN POLICIES AND PROCEDURES

Policies and/or procedures that impact certain aspects of the recruitment, selection, and hiring function were non-existent.

We noted that the campus had not developed or documented policies and procedures for verifying educational qualifications of new staff, including administrators, and protecting confidential employee recruitment, selection, and hiring information.

Government Code (GC) §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. Further, a satisfactory system of internal administrative controls shall include, but not be limited to, an established system of practices to be followed in performance of duties and functions.

The director of staff personnel programs stated that it was not campus practice to verify educational qualifications of staff employees and that not documenting policies and procedures for protecting employee recruitment, selection, and hiring information was an oversight.

Failure to maintain effective policies for recruiting, selecting, and hiring employees increases the risk of hiring ineligible or questionable employees.

Recommendation 1

We recommend that the campus develop, document, and communicate policies and procedures for verifying educational qualifications of new staff, including administrators, and protecting confidential employee recruitment, selection, and hiring information.

Campus Response

We will develop, document, and communicate procedures for verifying educational qualifications of new staff, including administrators and for protecting confidential employee recruitment, selection, and hiring information.

Timeline: April 30, 2005

FACULTY AND STAFF FILES

Recruitment and hiring practices for faculty and staff did not always ensure that campus files were properly documented and in compliance with related policies and procedures.

During our review of five tenure-track searches and one college dean search, we found that:

- ▶ In four instances, a screening device to select applicants who meet the minimum qualifications as stated in the job description was not in the files, and there was no evidence that the search committee conducted interviews with, or performed evaluations of, the finalist and the semifinalists.
- ▶ In three instances, there was no evidence that the search committee verified the professional references for the finalist and the semifinalists and sent an application acknowledgment and/or rejection letter to non-selected applicants.
- ▶ In three instances, the Authorization to Extend Offer form was not fully completed, and in one instance, the form was not on file. Also, an Employment Information Release form was not obtained from three finalists, and in three of four applicable instances, a Dean's Search Summary form was not on file.
- ▶ In two instances, the Applicant Flow Log was not signed by the dean or fully completed, and a Screening and Selection form was not on file and/or fully completed.
- ▶ In one instance each, the campus could not locate evidence that educational qualifications were verified for the finalist; the Interview Authorization form was not properly signed; the search committee did not maintain an applicant file for the finalist and semifinalists; and a job description was not on file, as well as forms to support evaluation of the minimum qualifications of all applicants and the elimination of applicants from the Applicant Flow Log.

As a result of our review of recruitment and official personnel files for ten represented (including two temporary) and three Management Personnel Plan (MPP) employees, we found that the campus could not provide evidence that:

- ▶ A current job description was prepared for six represented and all three MPP employees.
- ▶ Educational qualifications were verified for five applicable (two represented and three MPP) employees.
- ▶ An Employment Information Release form and a copy of the finalist's driver's license was obtained for three represented employees.
- ▶ A background check or pre-employment medical examination was performed for two of four applicable represented employees.

California State University, Chico (CSUC) *Guidelines for Effective Hiring – Faculty Recruitment – Search and Selection Procedures*, dated August 2004, states that the department search committee must acknowledge receipt of all applications; each search committee should develop a screening device based on the qualification listed in the position announcement prior to conducting interviews; the department and dean should consult to identify a preliminary list (short list) of finalists to interview and list these finalists on the Interview Authorization form that is routed to the dean for approval, at or before each candidate's interview; and the interviewee must sign an Employment Information Release form that authorizes the search committee to conduct reference checks. The procedures also state that in the process of conducting reference checks, the search committee will document the names of those contacted, the method of contact, and other relevant data; following completion of all interviews and reference checks of all viable candidates, the search committee will consult with the chair to report and discuss the results of the findings; and that once this has occurred and a candidate has been agreed upon by the department, the Authorization to Extend Offer form is routed to the dean for approval. Lastly, the procedures state that once the appointee has signed the Academic Appointment form, the dean will prepare the Dean's Search Summary and forward to the vice provost of human resources for inclusion in the recruitment file.

CSUC *Non-Faculty Recruitment Process* states that Human Resources (HR) will prepare an interview packet for each committee member containing an Employment Release form that authorizes the university to check references of prospective employees, and the chair of the search committee is responsible for having applicants sign and date these forms and returning them to HR.

California State University (CSU) directive HR 2004-14, *Position Descriptions*, dated May 14, 2004, states that it is the policy of the CSU that campuses should provide position descriptions to MPP and staff employees upon initial hire and subsequently when there is a substantial change in position duties and responsibilities.

GC §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. Further, a satisfactory system of internal administrative controls shall include, but not be limited to, an established system of practices to be followed in performance of duties and functions.

The vice provost of human resources stated that the lack of documentation to support the activities of the faculty selection committees was an oversight, and it was not campus practice to verify the educational qualifications of faculty administrators. The director of staff personnel programs stated similar reasons for the exceptions with the staff and MPP recruitment and official personnel files.

Failure to recruit and hire faculty and staff in accordance with campus policies could result in failed searches and potential complaints of discriminatory practices.

Recommendation 2

We recommend that the campus:

- a. Enhance current training efforts for search committee chairs and other persons involved in the tenure-track and college dean recruitment function to ensure compliance with campus policies and procedures in this area.
- b. Ensure that approvals to recruit staff and administrators are sufficiently documented, verifications of educational qualifications are performed, Employment Information Release forms and copies of finalists' driver's licenses are obtained, and background checks and pre-employment medical examinations are performed.

Campus Response

- a. Training efforts for search committee chairs have already been enhanced over the past year. Positions reviewed for the audit were from the previous fiscal year before current training practices were implemented. Step-by-step guidelines for the faculty recruitment process (with forms and sample letters) are posted on our web page. The vice provost, human resources, gives faculty search committees training sessions on the process and the HR staff monitors completion of each part of the search.
- b. We will insure that all recruitment documents are properly signed and that documentation is included in recruitment files. We will also write a procedure for verifying the educational qualifications of staff and administrators, when applicable. We will insure that the documentation is in every recruitment file, when applicable. The director, staff personnel programs will meet with staff involved with the recruitment process to go over audit findings and will do a written follow-up memorandum outlining the information covered in the meeting.

Timeline: March 30, 2005

SPECIAL CONSULTANTS

Campus practices for hiring and compensating special consultants needed improvement.

We reviewed the personnel and payroll files for five special consultants and found that:

- ▶ In four instances, the campus could not provide a Special Consultant vs. Independent Contractor worksheet.
- ▶ In one instance, the supervisor pre-approved the Special Consultant Timesheets for payments made between August 2003 and June 2004.

CSUC directive Vice Provost of Human Resources 2002-01, *Policy and Procedures for Classifying and Paying Individuals Who Perform Work for the University – Employees and Independent*

Contractors, dated September 2002, states that the HR office must receive a Special Consultant vs. Independent Contractor worksheet at least five working days prior to the effective date of the appointment.

GC §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. Further, a satisfactory system of internal administrative controls shall include, but not be limited to, an established system of practices to be followed in performance of duties and functions.

The vice provost of human resources stated that the lack of documentation was an oversight.

Inadequate control over the selection, hiring, and compensation of special consultants increases the risk of hiring ineligible persons and possible monetary loss.

Recommendation 3

We recommend that the campus ensure that:

- a. Special Consultant vs. Independent Contractor worksheets are prepared by the responsible campus manager prior to the beginning of an assignment.
- b. Special Consultant Timesheets are properly approved by responsible supervisors.

Campus Response

- a. We agree that Special Consultant vs. Independent Contractor worksheets should be prepared by the responsible campus manager prior to the beginning of an assignment. The current guidelines contain that requirement. We will audit those forms to insure compliance.
- b. As a result of the audit finding, payroll has implemented an audit process for checking those forms as they come in to avoid future problems. The audit process will be included in the payroll office guidelines. The director, payroll/benefits services and systems support will meet with her staff to outline the process and send a follow-up memorandum confirming the information covered in the meeting.

Timeline: March 30, 2005

CONFLICT OF INTEREST

Certain campus appointments represented conflicts of interest and resulted in nepotistic employment situations.

During our audit, we noted at least three situations where an employee worked in a position under the supervision or control of an immediate family member. In one situation, the employee reported directly to her spouse, who was also a campus director, and in the remaining situations, the employees were one level removed from their spouses, who occupied senior or executive management positions.

CSU directive HR 2004-18, *Revised Nepotism Policy*, dated June 28, 2004, states that no CSU employee shall vote, make recommendations, or in any way participate in decisions about any personnel matter which may directly affect the selection, appointment, evaluation, retention, tenure, compensation, promotion, termination, other employment status, or interest of an immediate family member, and that for the purposes of this policy, “immediate family member” is defined as a close relative including, but not limited to, a spouse.

CSUC Executive Memorandum 02-09, *Nepotism Policy*, dated March 25, 2002, states that no CSU employee shall vote, make recommendations, or in any way participate in decisions about any personnel or budgetary matter which may directly affect the selection, appointment, retention, tenure, compensation, promotion, work assignment, termination, other employment status, or interest of a close relative, and the term “close relative” is defined by relationships that include, but are not limited to, husbands and wives.

The vice provost of human resources stated that nepotistic employment situations were dealt with in compliance with the university’s nepotism policy, which is consistent with the systemwide nepotism policy. She further stated that, in the noted exceptions, reasonable measures were taken to include consideration of the rights of all parties, resulting in minimal disruption to the unit, while simultaneously preventing the controlling party from directly participating in employment status decisions of his/her relative.

Less than optimal control over employment relationships increases the risk of perceived favoritism and inequities in the workplace and potential claims of discrimination and lawsuits against the campus and the CSU.

Recommendation 4

We recommend that the campus:

- a. Reevaluate the noted employment relationships and take immediate action, as appropriate, to remedy the conflict of interest and nepotistic situations.
- b. Implement a process whereby HR is consulted in all hiring actions that involve close relatives or immediate family members. Such process should also include the requirement that the president or designee review and approve possible nepotistic situations involving senior or executive management.

Campus Response

- a. We will reevaluate the noted employment relationships and will draft agreements with the individuals involved to remedy the conflict of interest and nepotistic situations.
- b. We will amend the current campus Nepotism Policy to include the requirement to consult HR in all hiring actions that involve close relatives or immediate family members. We will also include the requirement that the president or designee review and approve related situations involving senior or executive management and will include information on these topics in our training sessions for hiring committees and hiring guidelines. We will include language in hiring documentation that outlines employee responsibility for reporting familial relationships.

Timeline: October 31, 2005

Agreements on noted relationships will be completed by April 30, 2005. Guidelines and training materials will be amended to include the language mentioned above by June 30, 2005.

Changes to the Nepotism Policy must be agreed to by the Faculty and Student Policies Committee of the Academic Senate, sent to the unions with a “meet and confer” offer, and then approved by the president and his cabinet officers. This process often takes a year or more to complete.

COMPENSATION, BENEFITS, AND EMPLOYEE PROGRAMS

WRITTEN POLICIES AND PROCEDURES

Policies and/or procedures that impact compensation, benefits, and employee programs were non-existent, incomplete, and/or outdated.

We noted that:

- ▶ Campus policies and procedures for administering compensation requests (Executive Memorandum 89-14 and *In-Range Progression Procedures*) were outdated and did not reflect the current practice of handling compensation requests. We also noted that the policies and procedures were not published on the campus’ website for general employee information.
- ▶ The campus fee waiver policy did not include guidelines for maintaining confidentiality of program information.
- ▶ The campus had not developed, documented, or communicated procedures for administering Family Medical Leave (FML) requests.

GC §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. Further, a satisfactory system of internal

administrative controls shall include, but not be limited to, an established system of practices to be followed in performance of duties and functions.

The director of staff personnel programs stated that it is campus practice to use the collective bargaining agreements and a letter, with instructions, which is sent to the campus every year as guidelines for classification actions. The director of employment practice and employee disability programs stated that policies and procedures for administering the FML program were not published, since related information is published on the campus website, employee bulletin boards, and in the staff handbook.

Failure to maintain current and complete policies for administering and protecting compensation, benefits, and employee program requests increases the risk of employee dissatisfaction, non-compliance with union agreements, and possible regulatory criticism.

Recommendation 5

We recommend that the campus:

- a. Update Executive Memorandum 89-14 and *In-Range Progression Procedures* to reflect the current practice of handling compensation requests.
- b. Publish the updated compensation policies and procedures for general employee information.
- c. Update the campus fee waiver policy to include guidelines for maintaining confidentiality of program information.
- d. Develop, document, and communicate clear procedures for requesting benefits under the FML program.

Campus Response

- a. We agree that Executive Memorandum 89-14 (classification) should be rescinded and a new policy or guidelines issued. We have been in the process of working with labor/management committees to update campus *In-Range Progression Procedures* and have completed that document.
- b. We will publish those procedures as they are approved by the campus officers.
- c. We agree to add language to the campus fee waiver guidelines on maintaining confidentiality of program information.
- d. We have developed, documented, and published the new procedures for requesting benefits under the FML program.

Timeline:

Estimated time completion for items included under “b” and “c” – April 30, 2005

Estimated completion time for revision of classification guidelines – June 30, 2005

COMPENSATION REQUESTS

Campus practice for processing employee compensation requests needed improvement.

A review of 12 compensation actions (four reclassifications, four in-class progressions, and four in-range progressions), between July 2003 and June 2004, disclosed the following:

Reclassifications

- ▶ In three instances, clear documentation of the date that the employee was notified of the final compensation action could not be provided by the campus.
- ▶ In two instances, the responsible vice president's approval of the compensation action (one approval and one decline) could not be provided by the campus.
- ▶ In one instance, documentation of HR's analysis of the compensation action could not be provided by the campus.

In-Class Progressions

- ▶ In all four instances, the Request for Position Classification was not signed by the budget officer and a previous and/or new job description could not be provided by the campus. The campus could not provide evidence that the employees were notified of the initial compensation action (three declines and one approval).
- ▶ In two of three applicable instances, documentation of the date that HR met with the employee to discuss the appeal request could not be provided by the campus.
- ▶ In one of three applicable instances, the campus could not provide evidence that the provost and vice president of academic affairs approved the appeal (decline) decision. In two of the three instances, the provost's appeal decision was not dated.
- ▶ In two of two applicable instances, the campus could not provide clear evidence that the employee was notified of the final compensation action (approval of the initial compensation request, and appeal decision).

In-Range Progressions

- ▶ In three instances, clear documentation of the date that the employee was notified of the compensation action could not be provided by the campus.
- ▶ In two instances, the campus could not provide evidence that the responsible vice president approved the compensation action.
- ▶ In two instances, the campus could not provide evidence that HR notified the responsible dean/director of the compensation action. In the two remaining instances, the notification was performed by the vice president of planning and resource allocation rather than HR.
- ▶ In one instance, the campus could not provide the dean's request (to the responsible vice president) for the compensation action.

CSUC Executive Memorandum 89-14, *Position Classification Plan*, dated April 11, 1989, states that the employee Request for Position Classification Review should be submitted via the employee's supervisor to the personnel office, employees have the right to appeal a classification determination within ten calendar days of receipt of written notification of the determination, the director of personnel or designee will meet with the employee no later than 14 calendar days after the filing of an appeal and will respond in writing to the employee no later than 21 calendar days after the meeting, and the results of the appeal review will be provided to the employee and supervisor in writing.

CSUC *In-Range Progression Procedures*, dated October 2003, states that the written recommendation for the in-range progression salary increase will be forwarded to the appropriate dean or director for review and, if approved, the recommendation is forwarded to the appropriate vice president for a final decision, with a copy to the HR office. The procedure also states that HR will provide an analysis of the request to the vice president, and once the vice president has reached a final decision, the HR office is notified and, in turn, notifies the appropriate dean or director of the decision.

Article 9.27 of the California State Employees' Association (CSEA) bargaining agreement for July 1, 2002, through June 30, 2005, states that the employee shall be notified in writing of the classification and/or skill level review decision and the reason(s) for the decision.

Article 9.30 of the CSEA bargaining agreement for July 1, 2002, through June 30, 2005, states that a designated individual in the HR office shall hold a meeting with the employee no later than 14 days after the classification and/or skill level review appeal filing, and this individual shall respond in writing to the employee no later than 21 days after the meeting with the employee.

Article 20.25 of the CSEA bargaining agreement for July 1, 2002, through June 30, 2005, states that in-range progression review shall be completed within 90 days after the request is received in HR.

The director of staff personnel programs stated that the lack of documentation was an oversight.

Inadequate administration of compensation actions increases the risk of unauthorized payments, poor staff morale, and employee complaints due to perceived salary inequities.

Recommendation 6

We recommend that the campus ensure that compensation actions are properly supported by appropriate documentation that includes, but is not limited to, evidence of applicable employee and intercampus notifications, previous and/or new job descriptions, and required campus approvals.

Campus Response

We will audit personnel and compensation-related files to insure that intercampus notifications on compensation actions have been sent and copies are in evidence in the appropriate files and that required documentation and approvals have been received. We will revise procedures to require written notifications to employees on all compensation actions.

Timeline: June 30, 2005

INFORMATION SECURITY

The protection of confidential employee information needed improvement.

We noted that:

- ▶ Compensation and fee waiver information was not adequately protected. Specifically, the information was maintained in a HR manager's office in an unlocked filing cabinet, and on a bookshelf, respectively.
- ▶ The campus had not implemented a formal access approval process, whereby system access was only granted upon review and written approval by the campus president or vice president of business and finance.
- ▶ Employees with system access to confidential employee information were not required to sign a confidentiality agreement.

CSU directive HR 2004-08, *Requirements for Protecting Confidential Employee Data*, dated March 1, 2004, states that each campus and the chancellor's office must take necessary steps to protect confidential employee personal information, which includes, but is not limited to, social security number, ethnicity, gender, home address, physical description, home telephone number, medical history, and performance evaluations. The policy also states that to protect confidential employee data, each campus and the chancellor's office must ensure that all employees with access to confidential employee information have a legitimate CSU need to have such access and that these employees must understand the responsibility they have under the Information Practices Act and Title 5 to protect sensitive employee information.

The chancellor's information security memorandum to CSU presidents dated March 28, 2003, states that no CSU employee will be granted access to confidential information in the CSU without review and written approval by the campus president or vice president of administration, and that employees who currently have access must undergo the review and written approval process in order to continue their access capability. The reapproval process must be completed immediately or access will be revoked. In addition, employees approved for security access must sign a confidentiality agreement. The access approval document and confidentiality agreement must be kept on file in the campus HR department.

The director of staff personnel programs stated that due to the security of the area, it was not campus practice to lock the filing cabinets holding compensation and fee waiver information. The vice provost of human resources stated that the campus misunderstood the chancellor's memorandum regarding a formal access approval process. The director of payroll, benefits, and systems support stated that employees sign a security authorization form in order to access confidential employee information and that not requiring employees to sign a separate confidentiality agreement was an oversight.

Inadequate control over confidential employee information increases the risk of loss, theft, or unauthorized access to and disclosure of confidential employee information and potential lawsuits against the campus and the CSU.

During the audit, the campus implemented procedures to store the compensation and fee waiver information in a locked file cabinet.

Recommendation 7

We recommend that the campus implement:

- a. A formal access approval process, whereby system access to confidential employee information is only granted upon review and written approval by the campus president or vice president of business and finance.
- b. Procedures to ensure that all employees with system access to confidential employee information have signed a confidentiality agreement.

Campus Response

- a. We will change the current approval process for system access to confidential data to include review and written approval by the campus vice president for business and finance.
- b. The process will include a confidentiality statement in the format included in the technical letter.

Timeline: April 30, 2005

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Paul J. Zingg	President
Brenda Aden	Vice Provost for Human Resources
Michael Bates	Facilities Services Manager/Energy Manager
Andi Beach	Director, Payroll, Benefits, and Systems Support
Donald Chu	Professor, Department of Kinesiology
Ingrid Cordes	Director, Employment Practice and Employee Disability Programs
David Daley	Coordinator, College of Agriculture
Leslie Deniz	Chief of Police
Bradley Dodson	Coordinator, College of Agriculture
Rebecca Douglass	Process Analyst and Systems Support Trainer
Mary Ellis	Administrative Coordinator
Deborah Ferguson	Assistant to the Chief of Police
Lori Fuentes	Administrative Analyst/Specialist, College of Communication and Education
Dennis Graham	Vice President for Business and Finance
Patrice Hannemann	Director, Procurement and Contract Services
Linda Henderson	Faculty Personnel Coordinator
Amanda Jackson	Human Resources Manager
William Jones	Financial Analyst
Terence Kato	Professor, Geological and Environmental Sciences
Mark Levine	Professor, Department of Management
Julie Mattoon	Administrative Support Coordinator, Geological and Environmental Sciences
Robin McCrea	Administrative Analyst/Specialist, College of Agriculture
Ginny Nielsen	Accounting Technician, Student Financial Services
Chris Serna	Administrative Analyst/Specialist, College of Business
Jakki Thomas	Director, Staff Personnel Programs
Tami Toon	Coordinator, Faculty Recruit and Staff Labor Relations
Anita Washburn	Human Resources Manager and Fee Waiver Coordinator
Doug Wilson	System Support Technical Analyst
Jeff Wright	Director, Office of Sponsored Programs

California State University, Chico
Chico, California 95929-0025
Vice President for Business and Finance
Office: 530-898-6231 Fax: 530-898-4513
E-mail: dcgraham@csuchico.edu



March 4, 2005



Mr. Larry Mandel
University Auditor
The California State University
401 Golden Shore
Long Beach, CA 90802-4210

Dear Mr. Mandel:

Enclosed is the information requested for the CSU, Chico Human Resources Audit Report 04-31. If you have any questions, please do not hesitate to give us a call.

Sincerely,

A handwritten signature in black ink that reads "Dennis C. Graham".

Dennis C. Graham
Vice President for Business and Finance

cc: Paul Zingg
Scott McNall
Bill Jones
Brenda Aden
Ingrid Cortes
Andi Beach
Jacquelyn Thomas

Human Resources
California State University,
Chico

Audit Responses
Report Number 04-31
February 3, 2005

RECRUITMENT, SELECTION, AND HIRING

WRITTEN POLICIES AND PROCEDURES

Recommendation 1

We recommend that the campus develop, document, and communicate policies and procedures for verifying educational qualifications of new staff, including administrators, and protecting confidential employee recruitment, selection, and hiring information.

Campus Response

We will develop, document, and communicate procedures for verifying educational qualifications of new staff, including administrators and for protecting confidential employee recruitment, selection, and hiring information.

Timeline: April 30, 2005.

FACULTY AND STAFF FILES

Recommendation 2

We recommend that the campus:

- a. Enhance current training efforts for search committee chairs and other persons involved in the tenure-track and college dean recruitment function to ensure compliance with campus policies and procedures in this area.
- b. Ensure that approvals to recruit staff and administrators are sufficiently documented, verifications of educational qualifications are performed, Employment Information Release forms and copies of finalists' driver's licenses are obtained, and background checks and pre-employment medical examinations are performed.

Campus Response

- a. Training efforts for search committee chairs have already been enhanced over the past year. Positions reviewed for the audit were from the previous fiscal year before current training practices were implemented. Step by step guidelines for the faculty recruitment process (with forms and sample letters) are posted on our web page. The Vice Provost, Human Resources, gives faculty search committees training sessions on the process and the HR staff monitors completion of each part of the search.
- b. We will insure that all recruitment documents are properly signed and that documentation is included in recruitment files. We will also write a procedure for verifying the educational qualifications of staff and administrators, when applicable. We will insure that the documentation is in every recruitment file, when applicable. The Director, Staff Personnel Programs will meet with staff involved with the recruitment process to go over audit findings and will do a written follow-up memorandum outlining the information covered in the meeting.

Timeline: March 30, 2005.

SPECIAL CONSULTANTS

Recommendation 3

We recommend that the campus ensure that:

- a. Special Consultant vs. Independent Contractor worksheets are prepared by the responsible campus manager prior to the beginning of an assignment.
- b. Special Consultant Timesheets are properly approved by responsible supervisors.

Campus Response

- a. We agree that Special Consultant vs. Independent Contractor worksheets should be prepared by the responsible campus manager prior to the beginning of an assignment. The current guidelines contain that requirement. We will audit those forms to insure compliance.
- b. As a result of the audit finding, Payroll has implemented an audit process for checking those forms as they come in to avoid future problems. The audit process will be included in the Payroll Office guidelines. The Director, Payroll/Benefits Services and Systems Support will meet with her staff to outline the process and send a follow-up memorandum confirming the information covered in the meeting.

Timeline: March 30, 2005.

CONFLICT OF INTEREST

Recommendation 4

We recommend that the campus:

- a. Reevaluate the noted employment relationships and take immediate action, as appropriate, to remedy the conflict of interest and nepotistic situations.
- b. Implement a process whereby HR is consulted in all hiring actions that involve close relatives or immediate family members. Such process should also include the requirement that the president or designee review and approve possible nepotistic situations involving senior or executive management.

Campus Response

- a. We will reevaluate the noted employment relationships and will draft agreements with the individuals involved to remedy the conflict of interest and nepotistic situations.
- b. We will amend the current campus Nepotism Policy to include the requirement to consult HR in all hiring actions that involve close relatives or immediate family members. We will also include the requirement that the president or designee review and approve related situations involving senior or executive management and will include information on these topics in our training sessions for hiring committees and hiring guidelines. We will include language in hiring documentation that outlines employee responsibility for reporting familial relationships.

Timeline: October 31, 2005

Agreements on noted relationships will be completed by April 30, 2005. Guidelines and training materials will be amended to include the language mentioned above by June 30, 2005.

Changes to the Nepotism Policy must be agreed to by the Faculty and Student Policies Committee of the Academic Senate, sent to the unions with a "meet and confer" offer, and then approved by the President and his cabinet officers. This process often takes a year or more to complete.

COMPENSATION, BENEFITS, AND EMPLOYEE PROGRAMS

WRITTEN POLICIES AND PROCEDURES

Recommendation 5

We recommend that the campus:

- a. Update Executive Memorandum 89-14 and *In-Range Progression Procedures* to reflect the current practice of handling compensation requests.
- b. Publish the updated compensation policies and procedures for general employee information.
- c. Update the campus fee waiver policy to include guidelines for maintaining confidentiality of program information.
- d. Develop, document, and communicate clear procedures for requesting benefits under the FML program.

Campus Response

- a. We agree that Executive Memorandum 89-14 (classification) should be rescinded and a new policy or guidelines issued. We have been in the process of working with Labor/Management Committees to update campus In-Range Progression Procedures and have completed that document.
- b. We will publish those procedures as they are approved by the campus officers.
- c. We agree to add language to the campus fee waiver guidelines on maintaining confidentiality of program information.
- d. We have developed, documented, and published the new procedures for requesting benefits under the FML program.

Timeline:

Estimated time completion for items included under "b" and "c" – April 30, 2005. Estimated completion time for revision of classification guidelines – June 30, 2005.

COMPENSATION REQUESTS

Recommendation 6

We recommend that the campus ensure that compensation actions are properly supported by the appropriate documentation that includes, but is not limited to, evidence of applicable employee and intercampus notifications, previous and/or new job descriptions, and required campus approvals.

Campus Response

We will audit personnel and compensation-related files to insure that intercampus notifications on compensation actions have been sent and copies are in evidence in the appropriate files and that required documentation and approvals have been received. We will revise procedures to require written notifications to employees on all compensation actions.

Timeline: June 30, 2005.

INFORMATION SECURITY

Recommendation 7

We recommend that the campus implement:

- a. A formal access approval process, whereby system access to confidential employee information is only granted upon review and written approval by the campus president or vice president of business and finance.
- b. Procedures to ensure that all employees with system access to confidential employee information have signed a confidentiality statement.

Campus Response

- a. We will change the current approval process for system access to confidential data to include review and written approval by the campus vice president for business and finance.
- b. The process will include a confidentiality statement in the format included in the technical letter.

Timeline: April 30, 2005.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

April 7, 2005

CHICO

DOMINGUEZ HILLS

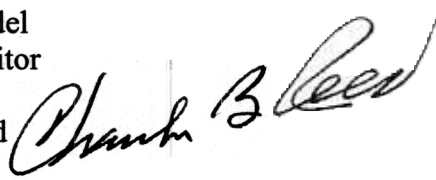
MEMORANDUM

FRESNO

FULLERTON

TO: Mr. Larry Mandel
University Auditor

HAYWARD

FROM: Charles B. Reed
Chancellor


HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 04-31 on *Human Resources*,
California State University, Chico

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

In response to your memorandum of April 7, 2005, I accept the response as
submitted with the draft final report on *Human Resources*, California State
University, Chico.

NORTHRIDGE

POMONA

SACRAMENTO

CBR/amd

SAN BERNARDINO

Enclosure

SAN DIEGO

cc: Mr. Dennis C. Graham, Vice President for Business and Finance
Dr. Paul J. Zingg, President

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS