

UT Southwestern
Medical Center

Leave Administration Audit

Internal Audit Report 19:02

March 28, 2019

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Executive Summary

Background

UT Southwestern Medical Center (UT Southwestern) offers a comprehensive benefits package to eligible full-time, part-time and retired employees, including paid or unpaid leave time away from work, in accordance with applicable laws and policies. The Leave Administration division of the Office of Human Resources administers the following types of leave:

Family and Medical Leave Act (FMLA)	The FMLA is a Federal law that requires UT Southwestern to provide FMLA leave to eligible employees for medical, family, and military qualifying reasons. Employees are entitled to take up to 12 workweeks (26 for certain military reasons) of job-protected, unpaid leave in any 12-month leave year. The FMLA also provides a right to reinstatement to the same or equivalent position and protects the employee from interference, discrimination, or retaliation.
Catastrophic Sick Leave (CSL)	The Catastrophic Sick Leave pool is based on state law and allows employees to donate sick leave into an institution-wide pool administered by Leave Administration. CSL is awarded based on established criteria to eligible employees who have exhausted all other available paid leave and the employee or immediate family member has a catastrophic illness or injury. Once awarded, CSL may be used in the same manner as regular sick leave.
Parental Leave	Parental Leave is based on state law and allows employees who are not eligible for FMLA to take up to 12 work weeks of job-protected, unpaid leave for the birth or placement for adoption/foster care of a child within 12 months.
Military Leave	Military Leave is based on Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA"), as well as state law and UT System policy, regarding an employee's right to take paid or unpaid leave to perform certain military service and right to reinstatement following extended unpaid military leave.
Leave Without Pay	Leave Without Pay allows an employee to take unpaid leave under certain circumstances and with department approval, as outlined in UT System and UT Southwestern policies. Approval of a period of leave without pay generally constitutes UTSW's intent to return the employee to the same or a similar position at the conclusion of the leave period.
Sick Leave Donations	Sick Leave Donation is based on state law and allows employees to donate the employee's own sick leave accrued hours in any amount (up to the accrual balance) to another employee, if certain conditions are met.

The Leave Administration division, reports to the Director, Employee Benefits & Retirement, Employee Assistance Program (EAP), Leave Administration & Wellness Programs. The Director reports to the Assistant Vice President, Compensation, Benefits and Human Resource Information Systems (HRIS) in the Office of Human Resources. Staffing consists of four full time positions and a supervisor who are responsible for providing leave assistance and administration for approximately 17,000 UT Southwestern employees.

Executive Summary

The overall administration of the leave programs are dependent on both the staff in the Leave Administration division and on each operating department's timekeeping and reporting processes across the institution for recording, tracking and providing documentation to meet the requirements for each type of leave.

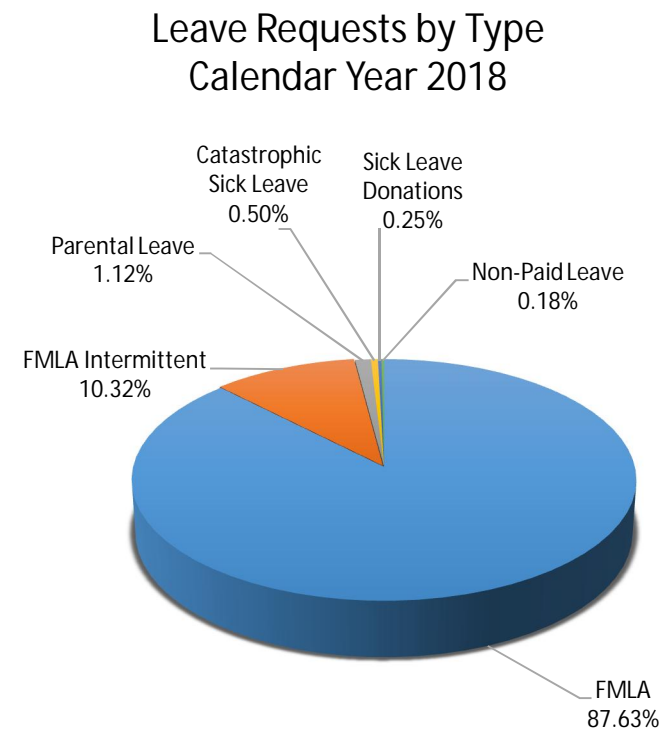
See Appendix B for a Leave Institutional Systematic Processing depiction, and Appendix C and D for leave trending and response times.

There are four different systems, OnBase, PeopleSoft HCM, Oracle, and Kronos to support Leave Administration processes and documentation retention requirements.

- OnBase is an enterprise content management system used to manage Leave documentation and correspondence.
- Oracle, an internally developed tool to track and manage key Leave Administration data, and enter information relating to leave records.
- PeopleSoft HCM is the system used to verify eligibility criteria for employees requesting leave.
- Kronos is the institution's time tracking system that the Payroll department manages separately. Time keeping activities recorded in Kronos are transmitted to PeopleSoft HCM to update payroll and leave (i.e., vacation and sick) accruals.

These systems are independent and do not interface or share data to promote efficient and effective monitoring.

The chart on the right shows percentages of the types of leave (administered by Leave Administration) taken by employees during calendar year 2018.



Executive Summary

Scope and Objectives

This audit was a part of the Fiscal Year (FY) 2019 Institutional Internal Audit Plan and included review of Leave Administration processes and key financial and operational activities for Family and Medical Leave Act (FMLA), Catastrophic Sick Leave (CSL), Parental Leave, Sick Leave Donations (SLD) and Leave Without Pay leave types. The audit scope was calendar year 2018.

The overall objectives were to assess compliance with key regulations and institutional policies and procedures that includes evaluating the effectiveness and efficiency of operations and programs over the internal controls that ensure achievement of objectives, safeguarding of assets, and accuracy of reporting. Specifically:

- Current policies and processes are readily available to all applicable personnel,
- Efficient and effective leave administration operations and processes are in place,
- Timely and complete communications between Leave Administration, employees, management and providers,
- Compliant processing and approval of leave activities in accordance with federal regulations and UT Southwestern policies based on type of leave and employment status,
- Appropriate financial tracking and monitoring of employee benefits based on the type of leave approved, and
- Appropriate system user controls such as access, approval workflow, and segregation of duties

We conducted our audit according to guidelines set forth by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Conclusion

Effective leave administration activities are essential to supporting the needs of UT Southwestern employees and ensuring the institution complies with laws and regulations. Institutional policies and processes are in place for administering UT Southwestern's various leave programs and activities, however, institutional requirements do not clearly define timekeeper responsibilities to record time in Kronos for the employee's home department. As a result, reconciliation and monitoring processes and controls that ensure accurate time reporting and compliance with leave policies are not currently in place. Due to the lack of oversight and monitoring of time reporting and leave administration processes within the employee's home department, there are increased risks for inaccurate leave reporting and noncompliance with policies.

Based on limited system capabilities, the Leave Administration team has to manually track and monitor employee leave activities, increasing the risk of missing, incomplete or inaccurate time reported. Inaccurate leave tracking can result in inaccurate employee payroll, inefficiencies in reliable leave monitoring and reporting and increased risk that employees take leave in excess of what has been approved.

Executive Summary

Leave Administration leaders are in the process of reviewing and selecting a comprehensive system to better manage and automate leave activities and replace or augment the four existing systems, OnBase, Oracle, PeopleSoft HCM and Kronos. The new Leave Management system will support Leave Administration's goals to provide improved compliance monitoring, on-demand education for employees and leaders, and improved tracking of leave activities. This tool will largely eliminate manual processes, improve efficiency of leave request processing, improve monitoring capabilities, allow automated notifications for employees and supervisors, and improve reporting capabilities.

Included in the table below are the observations noted, along with the respective disposition of the observations within the Medical Center internal audit risk definition and classification process. See Appendix A for Risk Rating Classifications and Definitions.

Priority (0)	High (0)	Medium (3)	Low (1)	Total (4)
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There were no priority issues identified in the audit. Key improvement opportunities are summarized below.

- n **1. Improve Controls to Ensure Accurate Kronos Time Tracking** – Employees' home department processes and controls that ensure appropriate Kronos transactions for employees with approved FMLA or Parental Leave are not adequate, resulting in an increased risk of non-compliance with laws and regulations.
- n **2. Enhance Monitoring Processes and Controls to Ensure Timely FMLA Intermittent or Reduced Schedule Tracking Compliance** – Leave Administration does not have monitoring or reporting processes in place to identify and follow up on missing monthly intermittent FMLA leave tracking forms. Without monitoring controls and enforcement of procedures, employees can abuse FMLA intermittent leave and negatively impact department productivity.
- n **3. Enforce Policy for Return To Work Authorization Submissions** – Instances occurred where employees have returned to work from approved FMLA leave for their own serious health condition without providing the required return to work authorization. Returning to work without submitting medical clearance increases risk to the employee and the institution if an employee is unable to perform duties safely.
- n **4. Establish and Implement Timelines for All Leave Types** – Parental and Leave Without Pay requests do not have established timeline expectations. Response times for review and approval of these leave types, that are not subject to federal regulations, are on average 18 days, and significantly higher than other leave types that have federal regulation response timeframes such as FMLA (e.g., 5 days). Without established response timelines, delays may negatively affect benefit decisions and may result in employee dissatisfaction.

Additional details for key improvement opportunities and action plans can be found in the Detailed Observations and Action Plans Matrix (Matrix) section of this report.

Executive Summary

We would like to thank the Leave Administration department for the courtesies extended to us and for their cooperation during our audit.

Sincerely,

Valla F. Wilson, Associate Vice President for Internal Audit, Chief Audit Executive, Interim Chief Compliance & HIPAA Privacy Officer

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Detailed Observations and Action Plans Matrix

Institutional Observations

Observations in this section are issues identified that are outside the direct control for the function under review

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium n</p> <p>1. <u>Improve Controls that Ensure Accurate Kronos Time Tracking</u></p> <p>Employee home department processes are not adequate and controls are not in place to ensure appropriate Kronos transactions are recorded for employees with approved FMLA or Parental Leave, resulting in an increased risk of inaccurate records and non-compliance with laws and regulations.</p> <p>Kronos leave time reporting data compared to Leave Administration records identified the following:</p> <ul style="list-style-type: none"> • Inaccurate leave type categories were selected in Kronos by the employee’s home department timekeeper: <ul style="list-style-type: none"> ○ 194 employees have approved Parental Leave coded in Kronos as FMLA. ○ 66 employees have approved FMLA Leave coded in Kronos as Parental Leave. • Kronos does not deduct accruals from employee VSL (Vacation & Sick Leave) available balances when using the FMLA Leave and Parental Leave tracking codes: <ul style="list-style-type: none"> ○ This tracking is currently optional and for informational purposes only. ○ Departmental timekeepers were not trained or were unaware of the way to appropriately process Kronos transactions. 	<ol style="list-style-type: none"> 1. Define departmental Kronos transaction processing requirements and expected controls that ensure appropriate recording of leave time transactions. 2. Update training and provide refresher education to department managers and supervisors, including timekeeper specific training, on responsibilities for complying with leave policies and Federal regulations. Additionally, communicate with leaders to reinforce these responsibilities to their departments. 3. Continue with plan for designing and implementing a robust leave administration system. Evaluate system features that strengthen internal controls and meet Leave Administration administrative needs. Ensure that system data integrity and accuracy complies with federal and state requirements, and institutional policies. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. Evaluation of Kronos leave tracking features is in process and will be used to develop a project plan for enhancement of Kronos. 2. <ol style="list-style-type: none"> A. We will develop a refresher training plan for supervisors and timekeepers. The Kronos training team will conduct Kronos training for timekeepers. In addition, Legal will reinforce during leader training and the Leave Administration team will revise email communications to managers managing employees on an approved leave. B. Training will also be included in the new Leave Administration system project plan. C. Payroll will update the Kronos Corner intranet resources as necessary. D. Communicate with the leaders to reinforce these responsibilities within their department. 3. It is imperative that we develop a plan for implementing a robust leave administration system. Cross-functional collaboration (e.g., Payroll, Information Resources, Legal) will be included in the new Leave Administration system project plan.

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<ul style="list-style-type: none"> ○ Supervisors or employees did not validate Kronos transactions for accuracy. ○ Procedures for periodically reviewing employee leave balances for reasonableness were not in place. 	<ol style="list-style-type: none"> 4. Determine quality assurance monitoring plan and include departmental monitoring procedures that ensure departments comply with leave policies, provide accurate leave reporting, and process transactions in accordance with approved leave. 5. Implement reconciliation processes that monitor Kronos leave tracking to leave amounts approved by Leave Administration (e.g., FMLA Leave and Parental Leave). 	<ol style="list-style-type: none"> 4. Kronos monitoring activities will be included in the new Leave Administration system project plan. 5. Reconciliation processes for monitoring Kronos activities will be included in the new Leave Administration system project plan. <p><u>Action Plan Owners:</u></p> <ol style="list-style-type: none"> 1. Interim Director, Payroll Assistant Vice President, Compensation, Benefits and Human Resource Information Systems (HRIS) 2. Assistant Vice President, Compensation, Benefits and Human Resource Information Systems (HRIS) Assistant Vice President, IR Operations and Compliance, Academic and Administrative Information Resources Interim Director, Payroll 3. Assistant Vice President, Compensation, Benefits and Human Resource Information Systems (HRIS) Assistant Vice President, IR Operations and Compliance, Academic and Administrative Information Resources

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		<p>Director/Managing Attorney, General Legal Services Interim Director, Payroll</p> <p>4. Assistant Vice President, Compensation, Benefits and Human Resource Information Systems (HRIS) Interim Director, Payroll</p> <p>5. Assistant Vice President, Compensation, Benefits and Human Resource Information Systems (HRIS) Interim Director, Payroll</p> <p><u>Target Completion Dates:</u></p> <p>1. Identify requirements – August 31, 2019 Develop project plan – September 30, 2019</p> <p>2. a. May 31, 2019 b. February 28, 2020, or concurrent with go-live c. September 30, 2019</p> <p>3. February 28, 2020, or concurrent with go-live</p> <p>4. February 28, 2020, or concurrent with go-live</p> <p>5. February 28, 2020, or concurrent with go-live</p>

Leave Administration Observations

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium n</p> <p>2. Enhance Monitoring Processes and Controls to Ensure Timely FMLA Intermittent or Reduced Schedule Tracking Compliance</p> <p>Leave Administration does not have monitoring or reporting processes in place to identify and follow up on missing monthly intermittent or reduced schedule FMLA leave tracking forms. Without monitoring controls and enforcement of procedures, employees can abuse FMLA intermittent leave and impact department productivity.</p> <p>Once FMLA Intermittent or Reduced Schedule Leave is granted for employees, department managers and employees have a shared responsibility to submit to Leave Administration monthly tracking forms to report the FMLA days and hours used. When the hours used are not reported to Leave Administration, it is difficult to provide an accurate calculation of hours remaining for FMLA to managers or employees.</p> <p>Reminders are manually processed by the Leave Admin Specialist when the employee is nearing the approved hours limit. Updates are provided to employees and supervisors upon request and no more frequently than once every 30 day period.</p> <p>Monitoring opportunities are largely due to having manual processes, lack of an automated system and limited staffing. Manual follow up tracking would be more labor intensive.</p>	<p>Until the new, more robust leave administration system planned implementation is complete, the following short term solutions are necessary:</p> <ol style="list-style-type: none"> 1. Implement monitoring processes to confirm receipt of FMLA Monthly Intermittent or Reduced Schedule Leave tracking forms and ensure follow up process is in place for departments and employees who do not comply with monthly submission requirements. Ensure hours used are updated to prevent excess usage beyond what has been approved. 2. Provide routine and consistent reporting of FMLA available and remaining leave balances to supervisors and employees after intermittent or reduced schedule leave is used. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. In the interim before implementing a new system, we will develop a monitoring plan and send reminders to department leaders and employees until we receive monthly tracking forms. 2. We will evaluate, determine, and implement the most cost effective method for performing the appropriate notifications once intermittent or reduced schedule leave has been used. Additional temporary resources may be needed. <p><u>Action Plan Owners:</u></p> <p>Assistant Vice President, Compensation, Benefits and Human Resource Information Systems (HRIS)</p> <p>Assistant Vice President, Administrative Systems</p> <p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> 1. June 30, 2019, dependent on available technical support within Information Resources 2. June 30, 2019

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium n</p> <p>3. Enforce Policy for Return To Work Authorization Submissions</p> <p>Instances occurred where employees have returned to work from approved FMLA leave for their own serious health condition without providing the required return to work authorization. Returning to work without submitting medical clearance increases risk to the employee and the institution if an employee is unable to perform duties safely.</p> <p>The <i>Family and Medical Leave Policy (EMP-256)</i> requires employees and supervisors/managers to provide both department manager and Leave Administration an anticipated return to work date. The <i>“Supervisors Guide to Managing FMLA”</i> includes a requirement to provide Leave Administration with authorizations from a medical provider that allows employees to return to work after taking leave for their own serious health condition.</p> <p>Monitoring and follow up is not in place and system controls are not available to notify Leave Administration when approved time is near the end of the period to ensure appropriate documentation is obtained when employees return to work after taking leave for their own serious health condition. Often times, employees return to work early without notifying Leave Administration and departments do not require a release from the medical provider authorizing early return.</p>	<ol style="list-style-type: none"> 1. Revise communication to supervisors to include clear responsibility that the department needs to monitor and ensure a return to work authorization is received from all employees returning from a block of FMLA leave for their own serious health condition. 2. During the design phase of the new system, establish the appropriate communication method for requesting return to work authorizations and notifications to Leave Administration. 3. Update training to timekeepers, supervisors, and managers to include Leave Administration requirements for departments and employees. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. We will program automated notices that go out to employees and supervisors. 2. We will send communications to departments as a reminder of the procedures to follow prior to the return to work date and clearly state departments should not allow employees to return until they follow the proper process. 3. We will include the HR Essentials training program in Taleo course assignments for all leaders. <p><u>Action Plan Owners:</u></p> <ol style="list-style-type: none"> 1 - 3. Assistant Vice President, Compensation, Benefits and Human Resource Information Systems (HRIS) 3. Assistant Vice President, IR Operations and Compliance, Academic and Administrative Information Resources <p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> 1. June 30, 2019, dependent on available technical support within Information Resources 2. June 30, 2019 3. June 30, 2019

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Low n</p> <p>4. Establish and Implement Timelines for All Leave Types</p> <p>Parental and Leave Without Pay requests do not have established timeline expectations. Response times for review and approval of these leave types, that are not subject to federal regulations, are on average 18 days, and significantly higher than other leave types that have federal regulation response timeframes such as FMLA (e.g., 5 days).</p> <p>Although Parental and Leave Without Pay accounts for 1% of the Leave types, without established response timelines delays may negatively affect benefit decisions and may result in employee dissatisfaction.</p>	<ol style="list-style-type: none"> 1. Establish formal timelines and implement response metrics for all leave types. 2. Update policies including department requirements for established timelines. 3. Develop monitoring processes to ensure Leave Administration is responding timely to leave requests in accordance with established timelines and in compliance with department policy. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. We will define formal response timelines for Parental Leave and Leave Without Pay. 2. In the policy re-write, defined response timelines will be included. 3. Utilizing information tracked in Oracle and OnBase, provide periodic reporting of actual response time to defined timelines. Within the new Leave Administration system, procedures to monitor response timeliness will be established and implemented. <p><u>Action Plan Owners:</u></p> <ol style="list-style-type: none"> 1. Assistant Vice President, Compensation, Benefits and Human Resource Information Systems (HRIS) 2. Assistant Vice President, Compensation, Benefits and Human Resource Information Systems (HRIS) Director/Managing Attorney, General Legal Services 3. Assistant Vice President, Administrative Systems

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		<p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> 1. Completed 2. April 30, 2019 3. April 30, 2019, dependent on available technical support within Information Resources

Appendix A – Risk Classifications and Definitions

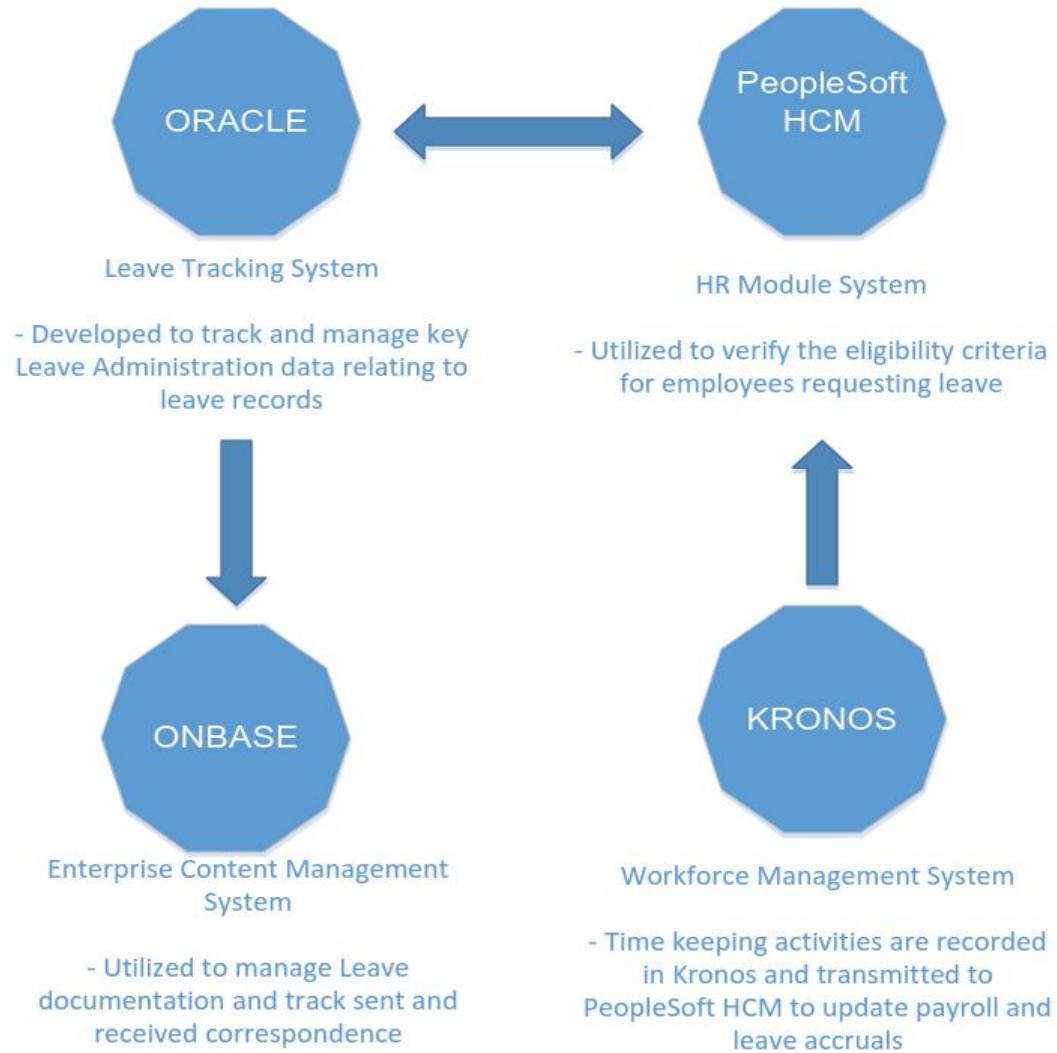
As you review each observation within the Detailed Observations and Action Plans Matrix of this report, please note that we have included a color-coded depiction as to the perceived degree of risk represented by each of the observations identified during our review. The following chart is intended to provide information with respect to the applicable definitions and terms utilized as part of our risk ranking process:

Risk Definition- The degree of risk that exists based upon the identified deficiency combined with the subsequent priority of action to be undertaken by management.	Degree of Risk and Priority of Action	
	Priority	An issue identified by Internal Audit that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.
	High	A finding identified by Internal Audit that is considered to have a high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level. As such, immediate action is required by management in order to address the noted concern and reduce risks to the organization.
	Medium	A finding identified by Internal Audit that is considered to have a medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action is needed by management in order to address the noted concern and reduce the risk to a more desirable level.
	Low	A finding identified by Internal Audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action should be taken by management to address the noted concern and reduce risks to the organization.

It is important to note that considerable professional judgment is required in determining the overall ratings presented on the subsequent pages of this report. Accordingly, others could evaluate the results differently and draw different conclusions. It is also important to note that this report provides management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.

Appendix B – Leave Institutional Systematic Processing

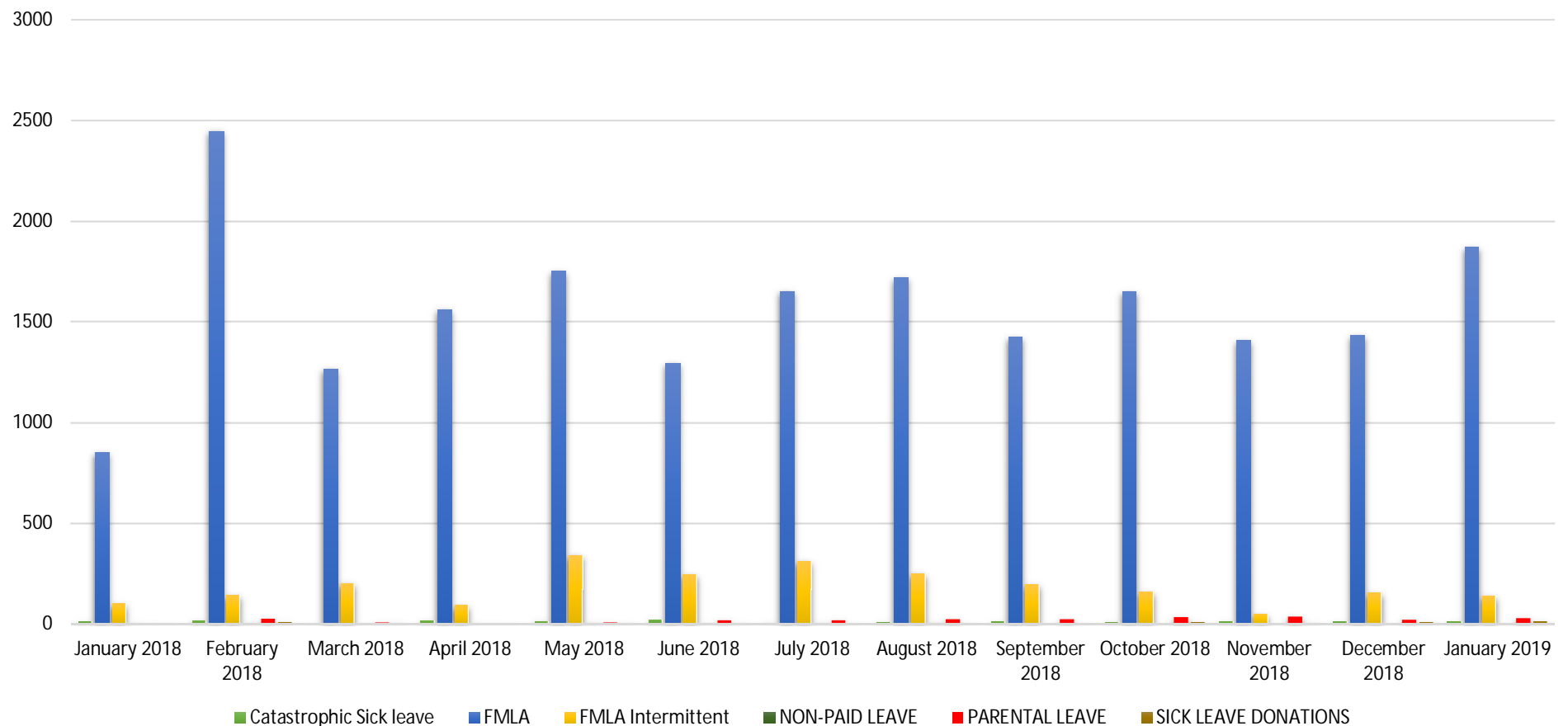
The following diagram depicts the systematic processing tools utilized for employee leave.



Appendix C – Leave Type Volume Trending

Leave type volume trending from January 2018 through January 2019 indicates continued growth in the number of leave requests that are processed and managed each month by the Leave Administration team.

Leave Type Volume Trending
Calendar Year 2018 through January 2019



Appendix D – Leave Administration Average Response Time

Average Response Time per Quarter by Leave Type indicates response times are improving during the second half of calendar 2018.

Leave Administration Responsiveness by Type of Leave
Calendar Year 2018

