



**PUBLIC MEETING OF THE WOU BOARD'S
EXECUTIVE, GOVERNANCE AND TRUSTEESHIP COMMITTEE (EGTC)**

Meeting No. 9

July 12, 2017

8:00 AM – 9:00 AM

Lieuallen Administration Building, President's Conference Room

AGENDA

- (1) CALL-TO-MEETING AND ROLL CALL**
- (2) CHAIR'S WELCOME/ANNOUNCEMENTS**
- (3) DISCUSSION ITEMS:**
 - (a) Board Self-Evaluation Review
 - (b) Internal Audit Final Report: Payroll Operations
 - (c) July 26 Full Board Meeting
 - (d) University Dashboards
- (4) ACTION ITEM:**
 - (a) Board Vice-Chair Election
- (5) ADJOURNMENT**

EGTC, Board Self-Evaluation

EXECUTIVE SUMMARY: The survey results demonstrate that the individual trustees are generally positive about Board structure and function. There were some results, particularly focused on the length of the meetings and the other subjects and constituencies from which the trustees would like to hear, that offer the opportunity for a discussion about continuous improvement. Committee function, including the committee chair and vice president reports to the full board, also warrant discussion. The intent of the self-evaluation is to discuss results at the committee level, discuss at the Board's July 2017 meeting, and implement any operational changes that might lead to improved function in the 2017-2018 academic year.

The committee charter of the Western Oregon University (WOU) Board of Trustees places responsibility for the Board's self-evaluation with the Executive, Governance and Trusteeship Committee (EGTC). It states: "The EGTC is responsible for developing an evaluation process for the performance of the Trustees to improve Board function." With a number of changes introduced to the structure of Board meetings for the 2016-2017 academic year, the EGTC devised a survey instrument to gather and measure trustee opinions regarding the Board's functionality. Chair Baumgartner asked Trustee Komp to work with Vice President & General Counsel Hagemann to devise the survey instrument and gather the responses. The EGTC reviewed the draft survey instrument at its May 23, 2017 meeting, Komp and Hagemann made the necessary revisions, and Dr. Abdus Shadid, WOU Director for Institutional Research & Effectiveness, administered the survey from June 7, 2017 through June 15, 2017. The survey was extended through June 20, 2017 to ensure additional responses and a total of eleven trustees responded to the survey. The survey instrument was anonymous. The raw data was sent to EGTC members prior to this meeting to permit the committee members to review.

The survey was divided into four sections: (1) Meeting Materials, (2) Structure and Logistics, (3) Committees, and (4) Board Composition and Trustees. There were opportunities for both qualitative and quantitative responses. The results for each section, as well as some discussion questions, are summarized below.

Meeting Materials

There were seven questions asked about meeting materials. Trustees were asked to respond with a number from 1 (strongly disagree) to 5 (strongly agree). Trustees were also provided the opportunity to offer narrative comments about the meeting materials. Here are the questions and responses:

(1) The written docket materials for board meetings arrive in a timely matter.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
55%	36%	9%	0%	0%

(2) The written docket materials for board meetings are sufficiently descriptive and comprehensive to permit trustees to prepare for board meetings.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
64%	27%	0%	0%	0%

(3) The delivery of written docket materials via email is sufficiently convenient to allow trustees to prepare for board meetings.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
55%	18%	9%	9%	0%

(4) A paper copy of the written docket materials should be mailed to trustees prior to the board meetings.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
0%	9%	27%	55%	9%

(5) Western Oregon University should provide a tablet or other technology to trustees in order to reduce the use of paper incident with board service.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
0%	9%	27%	55%	9%

(6) An executive summary of the written docket materials would be useful.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
18%	55%	9%	18%	0%

(7) I read everything in the written docket materials prior to the board meeting.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
9%	55%	18%	9%	9%

Narrative comments included:

- We are about one year away from needing to find new faculty and staff reps. Perhaps an update on the process EGTC will take so that we can begin to cultivate candidates, or is this premature?

- I appreciate all of the time and effort that goes into the docket and the preparation of each meeting. I have access to the docket prior to the meeting where I can review the materials and access it in many ways.
- We have a fairly diverse Board composition in terms of ethnicity, age, geography, sex, and job sector.
- Clarification for “every” word in the document. I do not read “every” word but I read every item that is not associated with the committee I serve on. I think tablets would be a nice touch however it is nice to have paper if you want to lay items side by side for reference points and that is not possible with a tablet.

Possible Discussion Questions about Meeting Materials

(1) Is there any tension between the responses to Question (3) and (4) with regard to the mode of delivery of docket materials?

(2) Are there any strategies, other than perhaps adding an executive summary to docket items, which might assist trustees to prepare sufficiently for meetings?

Structure and Logistics

There were sixteen questions asked about board structure and logistics. Trustees were asked to respond with a number from 1 (strongly disagree) to 5 (strongly agree). Trustees were also provided the opportunity to offer narrative comments about structure and logistics. Here are the questions and responses:

(1) The thematic discussion (e.g., enrollment, affordability, showcase, etc.) segment of the board meetings introduced in the 2016-2017 academic year helps me learn more about Western Oregon University.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
36%	64%	0%	0%	0%

(2) The full board meetings are scheduled on a convenient day and time for me and my attendance.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
18%	73%	9%	0%	0%

(3) The full board meetings should be longer in order to capture all that is necessary for trustees to discharge their fiduciary duty to the university.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree

0%	9%	45%	36%	0%
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(4) The full board meetings should feature more contact or interaction with university constituencies and stakeholders.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
0%	45%	45%	0%	0%

(5) The full board meetings should include a social element (e.g., lunch, dinner or reception) to permit trustees to interact informally.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
0%	18%	73%	9%	0%

(6) Board meetings would be more productive or enriching if the board convened in the evening for dinner and completed business over the course of the next morning.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
0%	0%	36%	45%	18%

(7) The thematic discussions cover the most appropriate topics facing Western Oregon University.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
27%	64%	9%	0%	0%

(8) The board should schedule a strategic retreat every year.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
9%	45%	36%	9%	0%

(9) The committee chair reports are informative and assist the trustees in making reasoned decisions.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
27%	45%	9%	18%	0%

(10) The president's report is informative and assists the trustees in understanding the university.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
27%	73%	0%	0%	0%

(11) The vice president's reports are informative and assist the trustees in understanding the university.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
18%	45%	36%	0%	0%

(12) The reports from the shared governance representatives are informative and assist the trustees in understanding the university.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
9%	55%	27%	9%	0%

(13) Board meetings are run efficiently.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
36%	55%	9%	0%	0%

(14) There is sufficient time for discussion and consideration of the topics on the board agenda during meetings.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
9%	55%	27%	9%	0%

(15) Live-streaming the board meetings is a good idea.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
36%	55%	9%	0%	0%

(16) The newly approved WOU strategic plan should be incorporated more into the business of the board and its meetings.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
36%	55%	9%	0%	0%

Narrative comments included:

- I am happy with how the meetings are being ran and the discussions are very thoughtful and great.
- I strongly support the idea of more opportunities for relationship building among Board members and Board and WOU community.
- I strongly support the idea of more opportunities for relationship building among Board members and Board and WOU community.
- I think social opportunities for the board and key staff are worthwhile, but I would not suggest having one with every meeting. Two a year would be sufficient.

Possible Discussion Questions about Structure and Logistics

(1) Is there tension between adding elements to the Board experience (e.g., meeting with stakeholders and constituencies) and resistance to making the Board meetings longer? Is there tension between the responses to Questions (3), (4), (5), and (14)?

(2) Why do Board members view the President's Report far more favorably than that of committee chairs or vice presidents? Are there changes to these reports that would make them more valuable to trustees?

(3) Should the thematic elements introduced to the Board in the 2016-2017 academic year be revised? Should there, for example, be a "showcase" at every full Board meeting and a new thematic emphasis for the April meeting? If so, what would that thematic emphasis be?

Committees

There were ten questions asked about committees. Trustees were asked to respond with a number from 1 (strongly disagree) to 5 (strongly agree). Trustees were also provided the opportunity to offer narrative comments about committees. Here are the questions and responses:

(1) The board's standing committees (ASAC, EGTC, FAC) appropriately cover the primary topics facing the university.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
18%	73%	9%	0%	0%

(2) The board's committee meetings should be held in conjunction with the full board meetings.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
0%	18%	0%	73%	9%

(3) The board's committee meetings should be scheduled to permit any and all trustees to attend if they want to do so.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
9%	27%	36%	27%	0%

(4) The board's committees should be delegated more authority for certain topics and transactions in order to free up time at full board meetings for other activities.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree

0%	18%	36%	45%	0%
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(5) The written docket materials for committee meetings arrive in a timely manner.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
36%	36%	18%	9%	0%

(6) The written docket materials for committee meetings are sufficiently descriptive and comprehensive to permit trustees to prepare for committee meetings.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
45%	45%	9%	0%	0%

(7) I am familiar with the committee charter of the committee on which I serve.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
27%	55%	18%	0%	0%

(8) Committee meetings should always be in-person.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
18%	9%	9%	64%	0%

(9) Committee meetings are sufficiently productive, even though they are primarily conducted by conference call.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
9%	45%	27%	18%	0%

(10) The meetings of the committee on which I serve are run efficiently.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
45%	55%	0%	0%	0%

Narrative comments included:

I think the committees are very efficient and allow the board to focus on more particular issues and then bring them to the full board for further discussion.

The committee structure was worked well. The finance committee is especially efficient.

As F&A, the question for us would be; do we add any value to what the VP prepares for the rest of the Board? Currently, we schedule enough ahead that it gives our VP time to take our feedback to prepare his presentation. In the past, we have asked him for

additional detail, less detail, and different materials to share with the full Board. Maybe he would prefer to prepare his docket materials without that interference!

I think there is a little lag time between the committee meeting docs showing up online but it depends on how close different committee meeting are scheduled to give ample time to post others meeting. I'm mainly referring to the committee meeting minutes.

I would not support scheduling committee meetings in conjunction with board meetings. I prefer having the committees meet ahead of the board meetings, as is the current practice. That allows for the committee reports and recommendations to be communicated and evaluated by board members ahead of the board meeting.

Possible Discussion Questions about Committees

(1) If the Board wants to hear from other stakeholders and constituencies at full Board meetings, but is resistant to a longer meeting, why are trustees also hesitant to delegate more authority to committee as demonstrated by the responses to Question (4)?

(2) Why is there a difference between the full Board and the committees with regard to docket materials?

Board Composition and Trustees

There were sixteen questions asked about board composition and trustees. Trustees were asked to respond with a number from 1 (strongly disagree) to 5 (strongly agree). Trustees were also provided the opportunity to offer narrative comments about the board composition and trustees. Here are the questions and responses:

(1) The WOU Board of Trustees has developed a productive and positive board culture.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
27%	55%	18%	0%	0%

(2) The WOU Board of Trustees speaks clearly with “one voice” after it has acted on a matter.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
36%	64%	0%	0%	0%

(3) Trustees, individually and collectively, are committed to their service on the Board.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
27%	55%	18%	0%	0%

(4) Trustees, individually and collectively, take their board service seriously.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
45%	36%	18%	0%	0%

(5) The WOU Board of Trustees is sufficiently diverse to discharge its fiduciary obligation to the university.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
27%	55%	18%	0%	0%

(6) The WOU Board of Trustees should have more alumni members.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
0%	0%	27%	73%	0%

(7) The WOU Board of Trustees should have more members from geographic areas other than the Salem-Monmouth-Independence area.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
27%	27%	36%	9%	0%

(8) In my experience, trustees are engaged during board meetings.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
36%	55%	9%	0%	0%

(9) Trustees understand what their fiduciary obligation to the university means.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
36%	45%	18%	0%	0%

(10) I attend WOU events other than board/committee meetings.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
27%	45%	18%	9%	0%

(11) Trustees have adequate and meaningful opportunities to visit campus.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
36%	64%	0%	0%	0%

(12) Trustees have sufficient orientation to discharge their fiduciary obligation to the university.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
27%	64%	9%	0%	0%

(13) I feel that my service on the board is worthwhile and I have an impact on the university.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
36%	55%	9%	0%	0%

(14) If applicable, I am interested in a reappointment to a second term on the board.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
18%	45%	9%	0%	18%

(15) I am making an impact on the success of Western Oregon University.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
36%	55%	9%	0%	0%

(16) My service on the WOU Board of Trustees is worthwhile and impactful.

Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
36%	55%	9%	0%	0%

Narrative comments included:

- I think the board members do a dream job of speaking their opinions and concerns but also stand as one with one voice.
- I think we could have more training, AGB guidance, etc. Of course, that assume Trustees are willing to commit more time, or expand meeting times, as I think the meetings are fully occupied currently.
- I enjoy my service on the board and think we have a strong and well-functioning board. I would encourage more board members to attend university activities other than board meetings.

Possible Discussion Questions about Board Composition and Trustees

(1) What strategies, if any, should the Board take to cultivate diverse Board members in order to be responsive to Questions (6) and (7)?

(2) Is the Board satisfied with the general tenor of responses regarding Board service, fiduciary duty, and impact on the University?

This is a discussion item, so no formal committee action is required.

EGTC, Board Vice Chair

EXECUTIVE SUMMARY: The EGTC recommends that Cecilia “Cec” Koontz be re-elected as the Board’s Vice Chair. Koontz is willing to serve a second term and her local presence and ability to discharge duties on behalf of the Board and the Chair serve the Board well.

Article III, Section 5(a) of the WOU Board’s Bylaws describe the Board’s officers. In order to stagger the terms of the Board’s chair and vice chair, the chair’s initial term was one year and the vice chair’s initial term was two years. After EGTC discussion and a survey of trustees for interest by the Board Chair, Koontz was elected as the Board’s vice chair at its October 28, 2015 meeting. Under the Board’s bylaws, there is no automatic succession from vice chair to chair, the term of officers is two years, and there are no term limits.

To prepare for this nomination and recommendation, the EGTC discussed Koontz’s reelection at its May 23, 2017 meeting. There was consensus, but no formal action, to determine if Koontz was interested in reelection as Vice Chair.

COMMITTEE RECOMMENDATION: The EGTC recommends that the Board re-elect Cecilia “Cec” Koontz to a second, two-year term as the Vice Chair of the Western Oregon University Board of Trustees. The term will run from July 1, 2017 through June 30, 2019.

EGTC, Final Internal Audit Report for Payroll Operations

EXECUTIVE SUMMARY: In its first report after contracting for Internal Audit capacity through the University Shared Services Enterprise (USSE), Kathy Berg audited payroll operations at WOU. The objective of the audit was to “determine if adequate approvals, reconciliations, monitoring and segregation of duties, and access controls [were] in place to ensure the accuracy of payroll.” Berg found “WOU has adequate policies and procedures in place to help ensure the integrity and accuracy of payroll. Opportunities for improvement were identified and are noted in the Areas for Improvement section [of the final audit report].”

In 2016, Western Oregon University procured internal audit functionality from the University Shared Services Enterprise (USSE). USSE provides multiple services to the public universities and the universities determine which of the services they wish to procure. Kathy Berg was hired by USSE to perform this functionality. Berg formerly served in the Internal Audit Division of the Oregon University System and has extensive experience with higher education internal audit. After WOU procured internal audit functionality, Berg met with President Fuller, Vice President Yahnke and Vice President Hagemann to outline an audit plan for 2016-2017. The team identified four audits to be performed: payroll operations, information security over electronic documents, contracting controls, and athletics cash controls. The final report for payroll operations is included in the docket materials as Appendix A.

Berg found that generally “WOU has adequate policies and procedures in place to help ensure the integrity and accuracy of payroll.” She identified several areas for improvement, including (a) segregation of duties, (b) payroll exception reporting, (c) agency fund reconciliations for payroll deductions, (d) background checks, (e) payroll overpayments, and (f) pay advances. Management agreed with Berg’s recommendations with regard to the areas for improvement. Berg will conduct follow-up work to determine management’s progress in implementing the recommendations.

COMMITTEE RECOMMENDATION: The EGTC accepts Report Number 16-E-007, the WOU Payroll Audit and recommends that the full Board accept the audit report, as well.

Payroll Audit, Western Oregon University

June 5, 2017

Report Number 16-E-007

Objective and Scope

The objective of this audit was to determine if adequate approvals, reconciliations, monitoring, segregation of duties, and access controls are in place to ensure the accuracy of payroll.

Fieldwork took place during December 2016 and January 2017 and focused on current payroll policies, procedures, and transactions taking place during calendar year 2016. A follow-up review is planned for 2017.

Background

The WOU Payroll Office is located in the Budget/Payroll Office and reports to the Vice President of Finance and Administration. Payroll consists of three staff positions supervised by the Payroll Manager. The Payroll Manager left in December 2016, and the Payroll staff are currently supervised in an interim role by the Budget Manager. The Payroll Office is responsible for processing pay for all classified, unclassified, temporary, and student employees. Approximately 1,500 employees are paid each month with an average monthly payroll of approximately \$5.7 million.

Procedures

Our engagement procedures included the following:

- Interviewing personnel in Payroll, Human Resources, and Business Services
- Reviewing Banner documentation regarding payroll-related processes
- Analyzing Banner financial and human resource data
- Reviewing policies and procedures related to payroll
- Reviewing payroll processing documentation
- Analyzing user access granted to critical Banner objects related to payroll and human resources

Results

Conclusion

Overall, WOU has adequate policies and procedures in place to help ensure the integrity and accuracy of payroll. Opportunities for improvement were identified and are noted in the Areas for Improvement section below.

Control Strengths

- Many useful Banner reports have been developed and are run monthly to review payroll and look for payroll and deduction anomalies.
- Critical payroll processes are well documented.

Areas for Improvement

1. Segregation of Duties

Payroll staff duties are not adequately segregated. The Payroll staff have access to set up new employee records; enter bank account numbers, pay information, hourly time, and leave information; correct overpayments, underpayments, and labor distributions; and prepare payroll. Payroll staff have access to change their own pay, and one staff member's duties involve updating her own merit increases.

Due to the Payroll Office's small staff size, the need for backup functionality, and the time sensitive nature of payroll, it is difficult to avoid some segregation problems.

Several reports are run during the payroll process and are reviewed for errors and anomalies prior to the final payroll run; however, these reviews are performed almost entirely by Payroll staff. The Budget Office reviews employment authorization documents to ensure that wages are in line with the budget but it is a high-level review. The budget authorities receive monthly budget to actual reports that include payroll information; however, the reports do not include individual employee pay and are not always reviewed.

Recommendation

I recommend improving segregation by removing Payroll staff duties (and access) for establishing employee IDs, updating employee names, and addresses (Banner form PPAIDEN) and for updating employee status, classification, and benefit and leave categories (Banner form PEAEMPL), and entering bank account numbers for direct deposit (Banner form GXADIRD). These duties could then be given to a new Payroll position without the job and pay related duties. Ideally, these duties (of establishing IDs, updating names, employee status, employee classification, etc.) would be performed by HR staff; however, with the current structure and level of staffing, I do not believe this is a viable option.

I also recommend that management consider adding additional controls by implementing the following methods:

- a) Add additional exception reporting (see Recommendation #2 below)
- b) Have Business Services distribute (hard copy) payroll checks rather than Payroll, and have employees sign and date a log for receipt
- c) Require background checks for all payroll staff (see Recommendation # 4 below)
- d) Discuss with Legal Counsel the feasibility of requiring employees to use direct deposit
- e) Implement web time entry

Management Response

Management agrees with the need to improve segregation of duties to strengthen internal control and has implemented a number of the Auditor's recommendations and will be exploring other internal audit recommendations.

- Additional exception reporting will begin with the March 2017 payroll process as described below.

- Management has adopted the recommendation to have Business Services distribute hard copy pay checks.
- WOU's General Counsel is investigating the legal parameters to making direct deposit required and/or a condition of employment.
- Banner web time entry will be re-evaluated once the transition to Banner 9.0 is complete in December of 2018.

2. Payroll Exception Reporting

Although various payroll reports are run monthly, post-payroll exception reports are not routinely run. There are many exception and validation reports and processes that are run prior to and during payroll processing. However, a report to monitor activity taking place during the payroll process with review by a non-payroll entity would be a good compensating control for inadequate segregation of duties.

A Banner report, PZRACTD--User Updates Made on HR Forms, was developed to monitor user activity in the critical Banner objects PEAEMPL (employee status, classification, etc.), NBAJOBS (job info, including salary, default earnings, default hours), and PDAEDN (withholding deductions). These forms only track the last user to touch a record, so if this report is run after payroll processes, the user activity shown in this report would be the user who ran the payroll process.

Other reports outside of the payroll process have been developed to review detail payroll information, but these reports do not appear to be fully utilized.

Recommendation

I recommend that management should ensure that the PZRACTD report is run prior to the monthly payroll process. Either the Computing Center or Business Services could run the report with Business Services conducting the review.

In addition, I recommend that management develop and run one or both of the following two exception reports:

- A comparison of current month to prior month gross pay by employee: The report should only generate data when an employee's current and prior months' pay are different by a specified percentage or dollar amount. This report could then be reviewed by Business Services.
- A report with current month and prior month gross pay by budget authority by employee: Distribute electronic copies of this report to each budget authority and require them to review and resolve any questionable variances and document their review.

Management Response

Management agrees with these recommendations. Business Services will begin running and reviewing the PZRACTD in addition to routine review in the Payroll office beginning with the March 2017 payroll process.

Additionally, the Budget Office will develop a data warehouse report that will run and automatically email results to individual departmental budget authority and require them to document their

review and resolution of any questionable variances. This additional review procedure will be added to the existing personnel budget review required every month. These additional procedures will be in place for the March 2017 payroll.

3. **Agency Fund Reconciliations for Payroll Deductions**

It appears that reconciliations of agency funds for payroll deductions are not routinely performed. Payroll is responsible for reconciling over 70 payroll-related agency funds. HR reconciles PERS and PEBB payments to employees' deductions, but is not responsible for reconciling the related agency funds.

Payroll routinely reviews activity, but does not have the data to reconcile by employee. Payroll was using the Aggregate HR data warehouse for reconciliation purposes; however, the data warehouse does not include all the detail information needed for making adjustments for timing differences, FTE changes, reclassifications, etc., making reconciliation by employee problematic.

The PEBB funds are the most numerous and routinely require many adjustments. PEBB sends preliminary invoices for review, prior to sending final invoices. These preliminary invoices should be reviewed to ensure that corrections are made for timing differences or other adjustments. University Shared Services Enterprise (USSE) Payroll Operations relies on WOU to have accurate invoices since USSE remits funds based on the monthly invoices from PEBB. Without performing reconciliations, the wrong amount could be withheld or put to the wrong plan.

Recommendation

I recommend that WOU begin routine reconciliations of the payroll-related agency funds, with the PEBB agency funds as a priority. To help move forward with the agency fund reconciliations, WOU should consider requesting access to the USSE aggregate payroll data warehouse and guidance from USSE.

Management Response

Management agrees with these recommendations. While WOU routinely reconciles all payroll related agency funds, those reconciliations are limited to information available in the WOU instance of Banner. WOU is working with USSE to obtain needed information residing at the USSE Payroll operation. The Payroll Manager will continue to work with USSE to reconcile between these two operations with a timely and efficient process.

4. **Background Checks**

According to management, background checks were not performed for the current payroll staff. It was noted that an Authorization to Fill form for the personnel search for a current payroll staff member was marked to perform a background check but one was not performed.

Best practices stipulate that background checks should be performed for positions that have access to confidential information or that perform fiscal responsibilities; Payroll positions meet both criteria.

The former Oregon University System (OUS) policy (OAR 580-023-0111), which still applies to WOU, states that universities *may* conduct criminal background checks for critical or security-sensitive

positions, but did not *require* such checks. WOU has been following this OUS policy and is currently updating it. The policy states

Criminal background checks will be conducted to ensure that the candidate does not have relevant criminal convictions that would make him or her unsuitable or ineligible to perform the responsibilities of a critical or security-sensitive position.

But the regulation goes on to say

The University may conduct criminal background checks according to this policy ...

Recommendation

I recommend that the criminal background check policy require criminal background checks for critical or security-sensitive positions within the constraints of the current SEIU Collective Bargaining Agreement, and that HR ensure that this policy is followed.

Management Response

Management agrees with this recommendation. Criminal background checks will be conducted before hiring employees for critical or security-sensitive positions.

5. Payroll Overpayments

During calendar year 2016, 20 employees were overpaid a total of approximately \$17,000. Actions taken to resolve payroll overpayments are not consistent. These inconsistencies appear to be due to a misunderstanding or disagreement between Payroll and Human Resources over how and who should to handle the different types of overpayments.

According to payroll staff, the most common factor contributing to overpayments is late receipt of timesheets (which causes an overpayment if the employee used more leave than has been accrued). Other factors that contribute to overpayments include misstated FTE figures due to late notification of changes and paying terminated employees due to late notification of terminations.

To help avoid overpayments and for the payroll process to run efficiently and accurately, Payroll relies on Human Resources and the departmental budget authorities to provide documentation in a timely manner. HR also relies on departmental budget authorities for timely receipt of documentation prior to submitting to Payroll.

According to a Bureau of Labor and Industries (BOLI) website, an employer is entitled to recoup all overpayments of wages, as long as it can clearly show that the employee received more than he/she was due under its wage agreement. BOLI advised working out a mutually agreeable repayment plan rather than deducting the overpayment from an employee's paycheck. Oregon Revised Statute (ORS) 652.610, allows certain deductions from wages, but does not specifically address the issue of wage overpayments.

Currently, a form developed by Human Resources is being used as a mutually agreeable repayment plan for overpaid classified and unclassified employees to sign. There are times when this repayment agreement form is not used. For example, when a timesheet is late and the employee was paid more leave than they accrued, the resulting overpayment is deducted from their next paycheck. Another example is a faculty member's overpayment that is caused by a decrease in FTE

without Payroll being notified prior to payroll processing. The amount overpaid is then deducted from their next paycheck if it's within the same academic term.

Recommendation

I recommend that management develop a policy that states which office is responsible for overpayments and specifies procedures for dealing with the different types of overpayments. The policy should take into consideration the stipulations of BOLI, ORS 652.610, and the SEIU Collective Bargaining Agreement. In addition, management should work with budget authorities and HR to improve the timeliness of payroll-related documentation.

I also recommend that the payroll overpayments receivable account be routinely reconciled.

Management Response

Management agrees with these recommendations and will continue to streamline the paperwork process which ultimately informs accurate and timely payroll calculations. Furthermore, management will formalize procedures that identifies responsibilities for the identification of overpayment, notice to employees, subsequent collection and reconciliation of overpayments.

6. Pay Advances

During calendar year 2016, 21 employees received a total of 77 pay advances and 24% of these employees received six or more advances, with one employee receiving an advance every month. Payroll advances require extra work to approve, set up, issue a manual check, and monitor repayment.

Best practices state that pay advances should be limited to emergency situations or unusual circumstances and approved by human resources.

WOU has a policy allowing payroll advances, but there is no stated limit to the number of advances an employee can receive, and it appears that advances can be used for non-emergency situations.

Recommendation

I recommend that management update the payroll advance policy to include language limiting advances to two or three each calendar year and for emergency situations only.

Management Response

Management agrees with these recommendations. Policy will be implemented limiting payroll advances to two each calendar year for emergency situations only. It should be understood that the policy will be modified by the SEIU CBA for classified employees.

Acknowledgments

I would like to thank management and staff involved in this engagement for their cooperation and assistance, and appreciate management's commitment to resolve the issues identified during this engagement.

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