

Internal Audit Department
NeighborWorks® America

Audit Review of
UltiPro Application: Time Keeping
Management

Project Number: NW.HR.UPROAPP.2018

Audit Review of UltiPro Application: Time Keeping Management

Table of Contents

Function Responsibility and Internal Control Assessment.....	3
Executive Summary of Observations, Recommendations and Management Responses	4
Risk Rating Legend.....	6
Background.....	7
Objective.....	7
Scope.....	7
Methodology.....	7
Observations and Recommendations.....	8
Conclusion	10
Appendix A: Incident Tickets by Status	12
Appendix B: UltiPro System Issues Analysis.....	13
Appendix C: Incident Tickets Ageing Analysis	14
Appendix D: Single Point of Entry for Incident Reporting	15

July 11, 2018

To: NeighborWorks America Audit Committee

Subject: **Audit Review of the UltiPro Application: Time Keeping Management Module**

Attached is our draft audit report for the UltiPro Application: Time Keeping Management review. Please contact me with any questions you might have.

Thank you.

Frederick Udochi
Chief Audit Executive

Attachment

cc: J. Bryson
T. Chabolla
R. Bond
R. Simmons

**Function Responsibility and Internal Control Assessment
Audit Review of UltiPro Application: Time Keeping Management**

Business Function Responsibility	Report Date	Period Covered
Human Resources/Payroll	July 11, 2018	October 2016 – May 2018
Assessment of Internal Control Structure		
Effectiveness and Efficiency of Operations	Generally Effective¹	
Reliability of Financial Reporting	Not Applicable	
Compliance with Applicable Laws and Regulations	Compliant with relevant Federal, State and Local Labor Laws	

This report was reissued February 15, 2024 in accordance with a recommendation by the Government Accountability Office (GAO-23-105944, June 14, 2023).

¹ **Legend for Assessment of Internal Control Structure:** **1. Generally Effective:** The level and quality of the process is satisfactory. Some areas still need improvement. **2. Inadequate:** Level and quality of the process is insufficient for the processes or functions examined, and require improvement in several areas. **3. Significant Weakness:** Level and quality of internal controls for the processes and functions reviewed are very low. Significant internal control improvements need to be made.

Executive Summary of Observations, Recommendations and Management Responses

Summarized Observation Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
<p>Observation 1</p> <p>The review of the bi-weekly push of hours from UTM to Payroll processing indicated that it was not an automated process but conducted manually.</p> <p>Risk Rating: (b) (5)</p>		<p>Recommendation 1</p> <p>Management is recommended to explore the feasibility (through a cost benefit/analysis) of paying bi-weekly compensation "in arrears" as versus the current practice of paying "current".</p>	Yes	HR and Finance will perform the cost-benefit analysis to determine the feasibility of paying bi-weekly compensation in arrears.	12/31/2019	Internal Audit Accept Management's Response.
<p>Observation 2</p> <p>The review of Time Reporting process indicated the corporate policies and business rule do not reflect actual current practice in bi-weekly time reporting. This we determined occurred as a result of the Corporations bi-weekly pay practice of paying "current".</p> <p>Risk Rating: (b) (5)</p>		<p>Recommendation 2</p> <p>In the short term, management is recommended to amend the Administrative Manual of policies and procedures to accurately reflect current practice until the completion of Recommendation 1 in which a cost/benefit analysis is undertaken to determine if the Corporation would be</p>	Yes	HR and Finance will amend the Administrative Manual policies and procedures to accurately reflect the current practice, until a determination is made regarding the feasibility of paying bi-weekly compensation in arrears.	1/31/2019	Internal Audit Accept Management's Response.

Summarized Observation Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
		changing payment practice from "current" to "arrear".				
<p>Observation 3</p> <p>The review of UltiPro Internal User Support Process identified a total of 119 unresolved UltiPro related incident tickets (as at 5/31/2018) due to multiple approaches for incident reporting which result in such untimely resolution to issues and problems.</p> <p>Risk Rating: (b) (5)</p>		<p>Recommendation 3</p> <p>Management is recommended to implement a plan to resolve this backlog of incident ticket and provide clear instructions for individual system administrators on roles and responsibilities between IT&S and individual system administrators for each of the WeConnect applications. In addition Internal Audit strongly recommends that management strictly enforce the single point of entry for incidents reporting, jointly with IT&S, to obtain assurance that UltiPro user requests are addressed and closed in a timely and efficient manner.</p>	Yes	<p>Management will work with the System Administrators and IT&S to document clear instructions regarding ticket resolution for Ultimate Time Management.</p> <p>Additionally, management will work jointly with IT&S to put protocols in place to enforce a single point of entry for incidents reporting.</p>	3/31/2019	Internal Audit Accept Management's Response.

Risk Rating Legend

Risk Rating: High

A serious weakness which significantly impacts the Corporation from achieving its corporate objectives, financial results, statutory obligations or that may otherwise impair the Corporation's reputation.

Risk Rating: Moderate

A control weakness which could potentially undermine the effectiveness of the existing system of internal controls and/or operational efficiency, integrity of reporting and should therefore be addressed.

Risk Rating: Low

A weakness identified which does not seriously detract from the system of internal control and or operational effectiveness/efficiency, integrity of reporting but which should nonetheless be addressed by management.

Management Responses to The Audit Review of: UltiPro Application Time Keeping Management		
# Of Responses	Response	Recommendation #
3	Agreement with the recommendation(s)	3
0	Disagreement with the recommendation(s)	0

Background

UltiPro is a core Human Resource Enterprise application that was implemented to replace the Corporation's Human Resource component of the legacy Time Keeping PeopleSoft application. UltiPro is a software-as-a-service (SaaS) application that is cloud based. Under review is the Time Keeping component known as the UltiPro Time Management (UTM). The expectation with this change was that this would automate time keeping processes and facilitate the push of hours to UltiPro for fast and efficient payroll processing.

UltiPro was deployed into production on 10/3/2016 as part of the internally branded ERP system name WeConnect². In the initial deployment, there were implementation challenges with Payroll and Time Keeping Management. The former has been corrected and stabilized and this review was undertaken to obtain assurance on the latter, in respect of the timeliness and accuracy of the Time Keeping Records. Accurate time keeping records and application controls are essential to proactively mitigate human resource issues such as labor law violations or excessive labor compensation lines and ultimately to improve corporate productivity.

Objective

The objective of this review was to obtain assurance that employee hours are accurately and timely recorded in accordance with corporate policy and procedures.

Scope

The scope of this audit review included the following:

- Reviewing the accuracy and timeliness of bi-weekly Timesheet Submissions and Approvals according to corporate policy and procedures for both exempt and non-exempt employees.
- Reviewing the end-to-end Time Recording to Payroll processing using UltiPro according to corporate policy and procedures for both exempt and non-exempt employees.

Methodology

In order to conduct this audit review, we performed the following procedures:

- Reviewed the UltiPro Time Management (UTM) system configurations to ensure this time recording system was set up in such a way as to protect data integrity.
- Reviewed the UltiPro data encryption to ensure the data stored and transmitted in the systems are encrypted.
- Reviewed the protocol for the UltiPro UTM to Payroll data transmission functionality

² WeConnect is the internal brand name for NeighborWorks America's ERP Solution Business Suite, the systems comprise the WeConnect environment are: NetSuite (core Financial) - embedded with third party tools AvidXchange for ACH Payments and Pyango for Fund Accounting, Nexonia (Employee Travel Expense Reporting), UltiPro Time and Payroll, UltiPro HR (Self Service), Adaptive Insights (Financial Planning and Reporting), NEST (Procurement) and Fluxx (Grants Management).

- Reviewed the segregation of duties between HR management and payroll processing.
- Tested system access rights to the payroll system to ensure access is limited such that only appropriate employees can alter pay rates or time worked.
- Reviewed Automated Time Data Collection.
- Reviewed system edit checks for:
 - Field check to limit the time entry to a numeric entry.
 - Limit check to limit the time entry to a numeric entry with a feasible range (i.e.1-24 hours).
 - Edit check to validate the employee number to the hours being worked.
 - Edit Check to validate custom segments of GL account.
- Reviewed processes and procedures for Master File Changes
- Reviewed bi-weekly time reporting is submitted by employee and approved by a manager within 10 work days
- Reviewed sample records to verify time keeping policies, procedures, business rules and internal controls for current practice validation:
 - Timesheet Backlog.
 - Spreadsheets that demonstrate the outcome of:
 - Manual collection of all approved hours.
 - Manually separated Regular Hours and Leave Hours.
 - Screen capture that demonstrates the before and after balance for proof of the automated annual employee accrual initialization for those whose accruals are over 240 hours at year end.
 - Administrative configuration that demonstrate the setup of:
 - Non-exempt employees.
 - Categorized Employee pay bands

Below are the observations and recommendations that resulted from the testing performed.

Observations and Recommendations

Observation 1 – Push of Hours Reported from UTM to Payroll Processing Undertaken

Internal Audit review of the bi-weekly push of hours from UTM to Payroll processing indicated that it was not an automated process but conducted manually (Timesheet hours to Payroll processing). The Payroll staff for each Payroll period has to manually separate Leave hours (Paid Time Off hours) from Regular hours in order to manually submit the data for Payroll processing. This function is currently undertaken by the Senior Payroll Accountant (SPA) with no designated backup in the event of a no-show. The processing function is quite labor intensive and potentially error prone.

The root cause of this manual intervention stems from the current Corporate practice of making payroll by paying “current” (Current Pay³) as opposed to paying “in arrears” (Arrears Payroll⁴).

³ Current Pay is the alternative to Arrears Payroll, in which employers pay their employee the day the pay period ends. This means an employer would need to submit an employee’s time before they even finish their work week.

⁴ Arrears Payroll is the practice of running the past week’s payroll instead of the current week, or any kind of delayed payroll schedule.

UTM by design is based on payroll being paid “in arrears” and in order to make the adjustments to accommodate this the current manual intervention is necessary. This is another one of those systemic challenges faced by the Corporation caused by the inadequate initial due diligence in the pre-implementation stages of the WeConnect systems. Delayed submission and approval of timesheets and PTO Requests have also been attributable for the time lag and actual accruals of reported hours.

Recommendation 1

Internal Audit recommends that Management explore the feasibility (through a cost benefit/analysis) of paying bi-weekly compensation “in arrears” as opposed to the current practice of paying “current”. This would eliminate the manual content of processing payroll hours and align more real time and accurately paid time off and regular hours worked. This would also be more in conformance with the current system design of UltiPro which is designed to pay in “arrears”.

Observation 2 – Corporate policy and business rule not aligned to reflect actual current practice in bi-weekly time reporting

Our review of the Time Keeping Management records indicated that the corporate policies and business rule do not reflect actual current practice in bi-weekly time reporting. This we determined occurred as a result of the Corporations bi-weekly pay practice of paying “current”.

The policy states that “*Employees must record their actual time worked for payroll and benefit purposes on a biweekly basis. Nonexempt employees must record the time work begins and ends, as well as the beginning and ending time of any departure from work for any non-work-related reason, on forms as prescribed by management.*”

Business Rule instructs payroll to pay current, which means in order to complete Payroll run, employees’ bi-weekly hours are provided by Payroll before the pay-period is ended.

Current practice, following the business rule, defaults the bi-weekly hours according to the Pay Group each employee is assigned to when payment is prepared, not by actual timesheet hours, which are not due until 10 business days after pay day. These differences can potentially cause discrepancies between time records and payroll records, which can result in a timesheet backlog.

Recommendation 2

Internal Audit recommends that in the short term management amend the Administrative Manual of policies and procedures to accurately reflect current practice until the completion of Recommendation 1 in which a cost/benefit analysis is undertaken to determine if the Corporation would be changing payment practice from “current” to “arrears”. This would also provide clarity for the inter-dependencies among corporate policy, business rule and current payroll practice in accordance with the Pay Calendar.

Observation 3 – Outstanding User Support Incident Reports

During our review we identified a total of 119 unresolved UltiPro related incident tickets (as at 5/31/2018) reported by end users to the Service Desk Ticketing System Remedyforce⁵. These were incident tickets created by end users between 10/03/2016 and 5/31/2018 (see Appendix A), to report not only Time Keeping Management issues but also UltiPro system related problems (see Appendix B), and for tickets which remain opened over 30+ days (see Appendix C).

This does not include incidents reported via emails and telephone calls directly to HR Senior Manager, HR Senior Specialist or Senior Accountant/Payroll, nor the issues presented through the WeConnect Integration Steering Committee during the bi-weekly meetings. There appears to be no clear guidelines on the roles and responsibilities for resolving incidents between IT&S and the individual system application administrators such as in the case of UltiPro. Once IT&S channels the incident reports to their respective administrators, system administrators are no longer accountable for formally reporting resolution and closure of the incident reports even though guidelines have been provided by IT&S generally as to how these should be concluded. It is also our understanding that these incident tickets might be closed but have not been formally documented to indicate closure.

There is a single point of entry for WeConnect incident reporting to the IT&S Service Desk detailed on their web page and can be accessed either via hyperlink at <http://inside.nw.org/IM/Pages/requestIM.aspx> or by following the navigation path from Inside NeighborWorks (See Appendix D).

Recommendation 3

Management is recommended to implement a plan to resolve this backlog of incident ticket and provide clear instructions for individual system administrators on roles and responsibilities between IT&S and individual system administrators for each of the WeConnect applications. In addition we strongly recommend that management strictly enforce the single point of entry for incidents reporting, jointly with IT&S, to obtain assurance that UltiPro user requests are addressed and closed in a timely and efficient manner, in order to achieve reduced system operating risk as well as enhanced user and system performance. An organization wide communication and training is also recommended to ensure full compliance in practicing the single-point-entry and Incident Reporting resolution and closure.

Conclusion

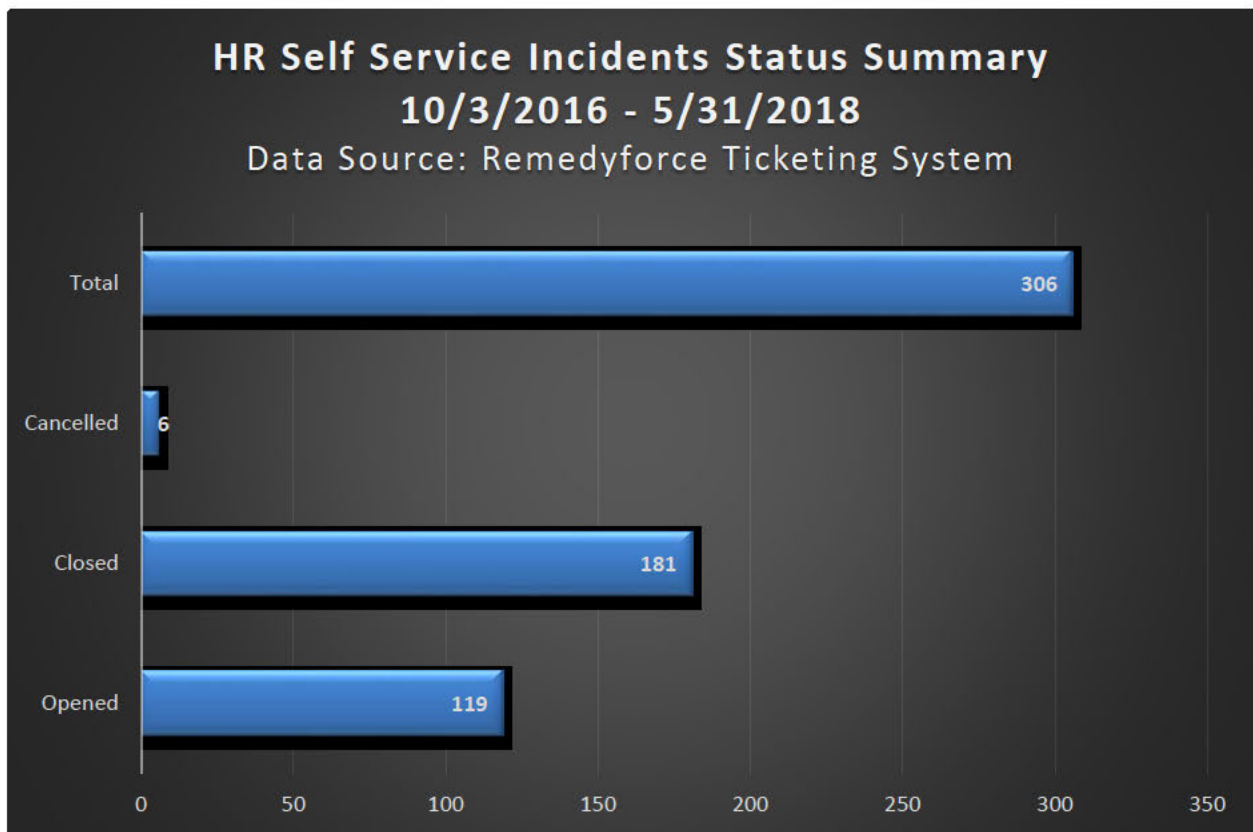
The UltiPro application system is a critical tool in providing automated Human Capital Management core functions featuring UltiPro Time Management and Payroll Processing. The recommendations made are to further enhance the current system, ensure full automation of the process in order to obtain assurance on the validity and integrity of systems. All the recommendations here address the desired actions towards improving the system performance as

⁵ Remedyforce is the IT Service Management (ITSM) SaaS (Software as a Service) solution offered by BMC Software Inc. The application is built on a Salesforce App Cloud which enables high-speed service management delivery and empowers end users via streamlined processes and expedited request fulfillment.

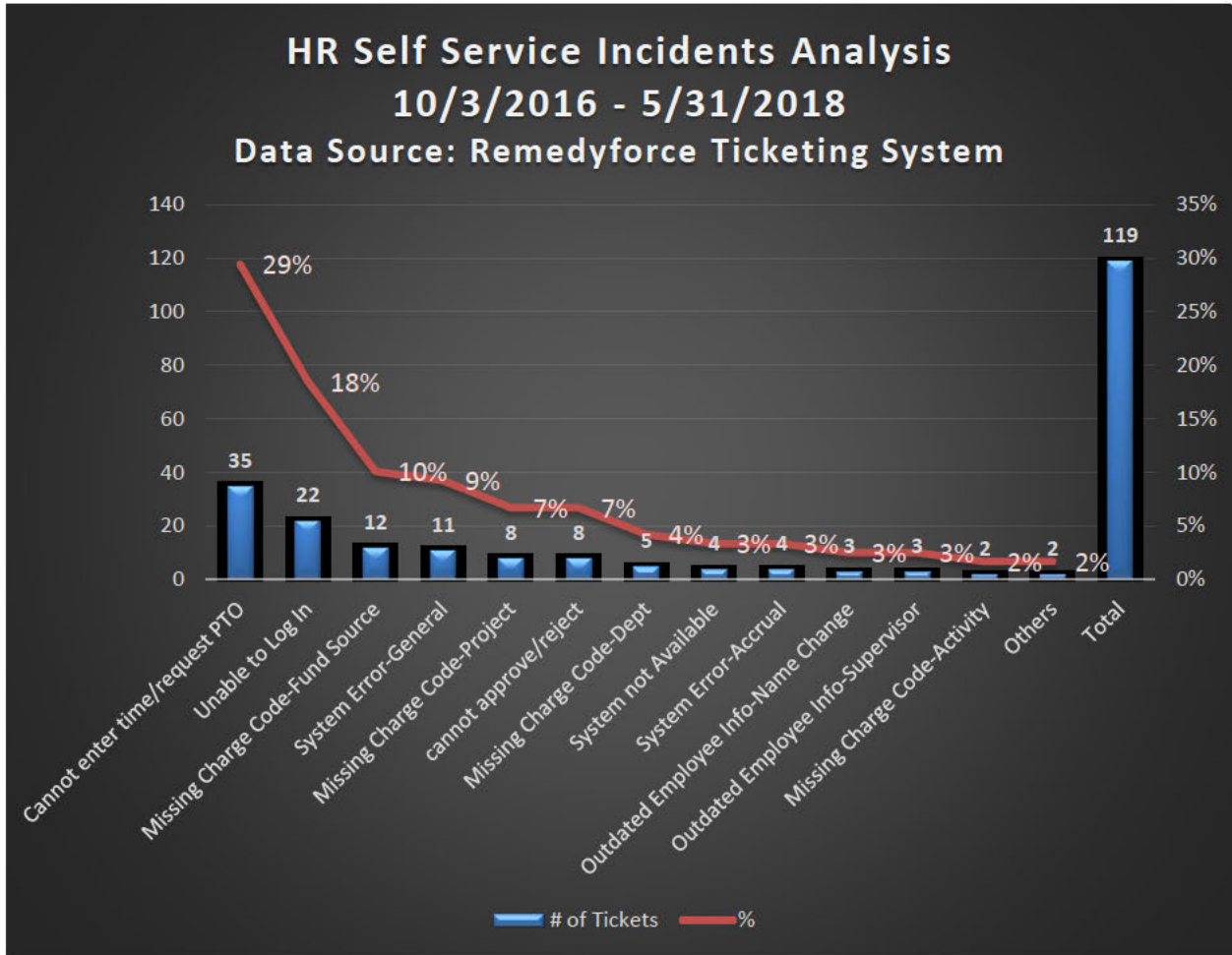
well as employee performance in achieving the timeliness and accuracy of Time Keeping Records Management.

We hope that the recommendations presented here would be adopted accordingly in order to provide the enhanced framework for business process improvement as well as monitoring the UltiPro application in order to maintain security, integrity and accessibility to employee time data. We would like to take this opportunity to thank the staff of Human Resources and Payroll for their cooperation throughout this review.

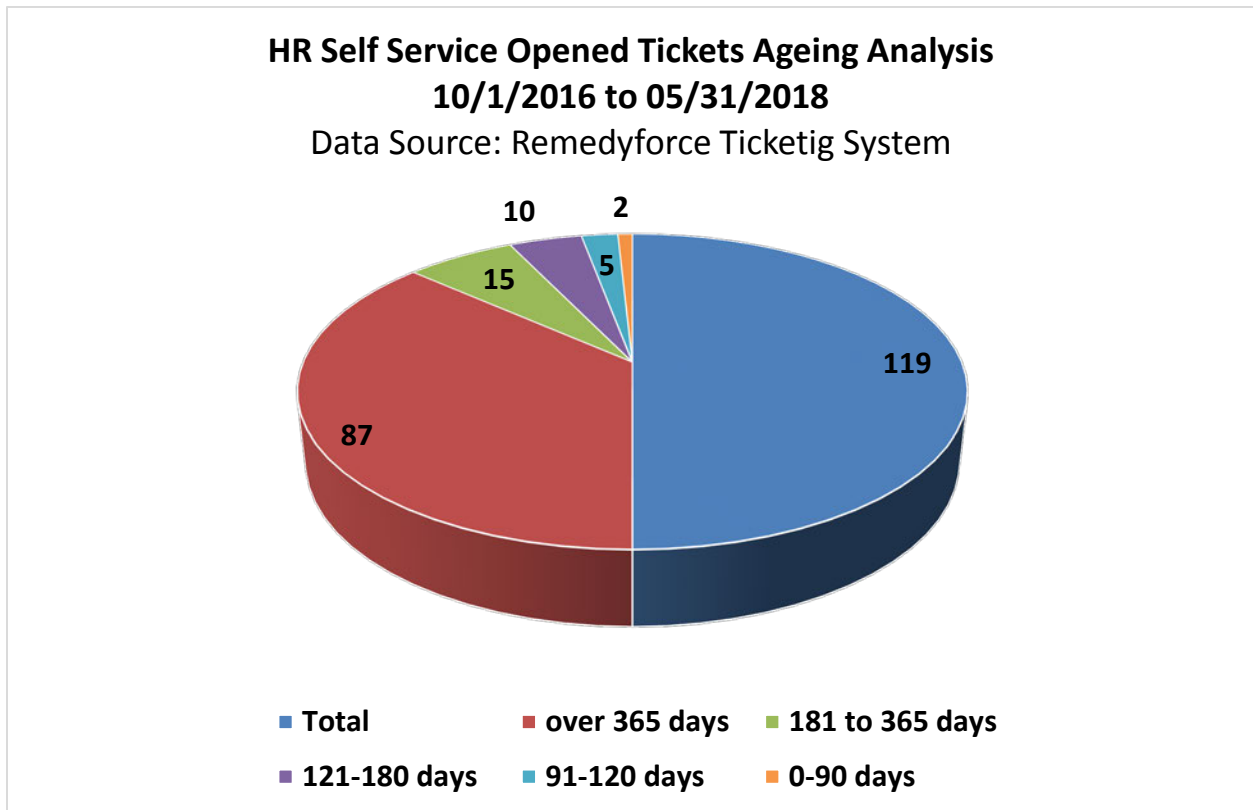
Appendix A: Incident Tickets by Status



Appendix B: UltiPro System Issues Analysis



Appendix C: Incident Tickets Ageing Analysis



Appendix D: Single Point of Entry for Incident Reporting

The screenshot displays the 'Inside NeighborWorks' website interface. At the top, the header includes the site name and the user 'Erika Wang'. A navigation menu contains links for 'Inside NeighborWorks', 'Business Units', 'Tools', 'Resources', 'Forms', 'Reports & Data', and 'Communications'. Below the navigation is a breadcrumb trail: 'Information Technology & Services > Requesting IT&S Services'. A search bar is located on the right side of the page.

The main content area is titled 'How Do You Request IT&S Services?'. It begins with a paragraph: 'One of IT&S's primary missions is to provide each user with quick and efficient user support. Support is provided Monday through Friday, 8:45 a.m. to 5:15 p.m., Eastern time. You can request support from our service desk using one of the methods listed below. They are listed in order of preference.'

Three methods are listed:

- METHOD #1** - Enter a help request on the Remedyforce portal. The portal can be accessed in several ways:
 - Open Internet Explorer and go to [Remedy Force](#), then click **New Request** on the home page.
 - Click on the "I Need To..." list located at <http://inside.nw.org> and select **Service Desk**.
- METHOD #2** - E-mail a help request to servicedesk@nw.org. Provide an informative subject line and a detailed account of the nature of the problem or request. Include the text of any error messages.
- METHOD #3** - Call the Service Desk at (202) 760 4111. (If you are located in the DC office, use the **Help Desk** speed dial button programmed on your telephone.) Leave a detailed message along with your name and your direct phone number.

Two additional notes are provided:

Please note that the IT&S business unit will not normally support any product or equipment not approved by the corporation. Software or tools required for employees to perform their jobs must be purchased through IT&S with the approval of the IT&S Director and the employee's supervisor.

Any program found on an individual computer that is inconsistent with the needs of NeighborWorks® America may be removed by IT&S if it conflicts with the Corporation's sanctioned products or standard computer configuration, or if there are software license restrictions relating to the product.

For additional questions, contact the Service Desk at (202) 760 4111.

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The bottom of the page features the NeighborWorks AMERICA logo and the tagline 'Working Together for Strong Communities'.