STATE UNIVERSITIES CIVIL SERVICE SYSTEM

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James D. Montgomery
Merit Board Chair
Lewis T. (Tom) Morelock
Executive Director

To: Merit Board Members
University Presidents and Chancellors
Affiliated Agency Directors
Administrative Advisory Committee
Designated Employer Representatives
Human Resources Directors
State Universities Civil Service Advisory Committee (EAC)

From: Lewis T. (Tom) Morelock
Executive Director

Date: July 1, 2014

Re: Biennial Institutional Compliance Audit Process and Procedure (Update)

In accordance with its primary focus of ensuring compliance with the Act (110 ILCS 70/36b et seq.), Part 250 of the Illinois Administrative Code (80 Ill. Adm. Code 250), and other related System procedures, the audit process is designed to provide a review and recommendation instrument for improving University/Agency human resource programs and related business processes.

Consistent with years past, the System Office remains committed to increasing the efficiency and effectiveness of the audit process. We remain confident that our approach to the increasing employment challenges ahead will continue to build partnerships with Employers and constituencies System-wide.

As such, the audit process will continue in a similar manner with on-site visits, interviews, testing, distribution of audit reports and collaboration with the human resource departments for resolution to areas of concern. Many of these concerns are addressed utilizing a consultative approach, with a commitment to the following objectives:

- demonstrating our ongoing commitment to public trust and transparency through publishing final audit reports electronically through the System Office web portal;

- streamlining requested audit information and materials to assist in providing a seamless approach to the audit program;

- continuing to provide an in-depth understanding of the respective universities and agencies' policies and processes, which will assist us in identifying procedural causes and recommend appropriate corrective action;

- utilizing a targeted approach to the overall audit process, as well as conducting follow up activities of previously cited audit findings;

- presentation of the Final Audit Report, which includes a one page Executive Summary, and focuses on a collective approach to reporting issues which will contain material findings;

- presentation of a Non-Material Supplemental Report, which contains minor findings or concerns and is limited in its distribution to the respective University/Agency Human Resource Director, his/her supervisor, and the Internal Auditor;

- collaborating with the respective internal audit departments to ensure that coverage in this area is comprehensive; and,

- utilizing the formal audit survey to allow employers an opportunity to appraise and provide suggestions for improvement on the audit process and related activities.

Historically, the primary audit topics consisted of Assignment of Positions to Classes; Compensation Programs; Examination Procedures; Employment and Separation Procedures; Principal Administrative Appointments; Human Resource Programs and Follow-up on Outstanding Findings. These will continue to be the main areas of emphasis with some minor changes in the collection and targeted testing process for each topic. We will be particularly focusing on the implementation of updates related to Principal Administrative Appointments and other authorized statutory exemptions, as well as providing advisement with respect to non-status appointments, consistent with Merit Board procedural updates and guidelines.

Attached is a copy of our Biennial Institutional Compliance Audit Process and Procedures document, which provides a more detailed outline of this important process. Consistent with past practices, the Final Audit Report is distributed to the President, Chancellor, Merit Board members of the university/agency, the campus/agency internal audit department and other respective campus administrators. In our effort to create an environment of transparency and public access, the Final Audit Report is also posted at our public website. We are confident that as we progress through current and future audit cycles, we will continue to research new and innovative methods to further streamline processes, continue to develop partnerships with universities to meet our common goals, and provide an effective audit and resolution outcome.

Should you have any questions on this or any other topic, please contact me by phone at (217) 278-3150 or by email at tomm@sucss.illinois.gov.

Attachment (1): Biennial Institutional Compliance Audit Process and Procedure

State Universities Civil Service System
Biennial Institutional Compliance Audit Process and Procedure

Authorization

As part of its statutory power, the Merit Board has promulgated rules that delegate to the Executive Director the authority and responsibility for conducting "ongoing audit programs of all Civil Service operations at all places of employment for the purpose of assuring compliance with the Statute [Act (110 ILCS 70/36b et seq.)] and this Part [Part 250 of the Illinois Administrative Code (Code) (80 Ill. Adm. Code 250)] and for improving the programs of personnel administration of its constituent employers" (80 Ill. Adm. Code §250.140(c)).

Jurisdiction

The State Universities Civil Service System, as delegated and authorized through the State Universities Civil Service Act (Act) (110 ILCS 70/36b *et. seq.*), conducts operational human resource management audits of all designated places of employment at institutions (Employers) identified in the Act (110 ILCS 70/36b(2)). In carrying out their duties and responsibilities, the Auditors have full, free and unrestricted access to all University/Agency human resource activities, records, property, and personnel. At this time, there are twenty-one (21) separate employment locations within the institutions/agencies listed below that are included in the biennial audit schedule:

Chicago State University
Eastern Illinois University
Governors State University
Illinois State University
Northeastern Illinois University
Northern Illinois University
Western Illinois University
Southern Illinois University Carbondale
Southern Illinois University Edwardsville
Southern Illinois University School of Medicine
University of Illinois at Chicago
University of Illinois at Springfield
University of Illinois at Urbana-Champaign
University of Illinois College of Medicine Peoria
University of Illinois College of Medicine Rockford
Division of Specialized Care for Children
Illinois Board of Higher Education
Illinois Community College Board
Illinois Student Assistance Commission
State Universities Civil Service System
State Universities Retirement System

Purpose

The primary purpose of our audit process is to determine compliance with the State Universities Civil Service Act (Act), the Illinois Administrative Code (Code) (80 Ill. Adm. Code 250), and Merit Board Procedures Manuals. Pursuant to Section 250.140(c) of the Code (80 Ill. Adm. Code §250.140(c)), the audit process is designed to provide a review and recommendation instrument for improving the human resource programs and related business processes.

Audit Procedural Elements

The University System operational audit includes the collection, testing, analysis, and reporting of information involving a broad range of human resource related practices. The various phases of the actual audit process are described below:

a. Planning

This initial phase of an audit encompasses a review of the previous year's findings, researching the respective Human Resource websites for revisions to their procedures, templates and changes in personnel, scheduling interviews with institution representatives, and identifying sample selections to be tested.

b. On-Site Testing

This phase of an audit requires conducting an entrance conference with the respective contact, becoming familiar with the institution's processes and reconciling the actual processes with the documentation under review, and interviewing employees, principal administrative appointments, key personnel such as the President, Chancellor, Designated Employer Representative, Human Resource Director, Internal Auditor and others as necessary.

On-Site testing will be conducted under each of the audit topics previously mentioned, along with any institutional concerns brought to our attention, and may include assessing the timeliness and quality of serviced given to all constituencies served by the program; evaluating communications between Human Resource staff and the University or Agency community; analyzing and reviewing employment records and associated documentation; and conducting on-site interviews with administrators, employee groups, designated employees for position reviews, etc.

c. Documentation and Reporting

This phase is comprised of establishing or maintaining work papers to support any findings, documenting the interviews conducted on-site, organizing and analyzing testing materials, and preparing the initial drafting of findings and corresponding recommendations. Evaluations and recommendations for program modifications are made by the Operations and Audit staff regarding numerous Human Resource functions.

d. Draft Audit Report

Upon completion of on-site fieldwork testing, a draft audit report detailing both material and non-material findings related to violations or risk of violation of the Act, Code or Procedures is prepared. These findings may be significant in nature, excessive in degree, and/or repeated over time. They may also include process issues that, left unresolved, may lead to future compliance violations. These findings should be addressed immediately upon notification. This report is a condensed reporting mechanism provided to the Human Resource Director,

Designated Employer Representative, internal audit office, and other appropriate institution administrators. The purpose is to identify and report initial findings, provide ideas and suggestions, encourage a quick response to issues, and recommend long term solutions. In many instances, the issues identified through this report can be resolved promptly.

e. Formal Exit Conference

An exit conference may be conducted in an effort to address any misnomers or changes to the draft report and to address potential revisions to findings or recommendations. This conference is highly recommended and occurs at the request of the University/Agency being audited.

f. Institutional Corrective Action Plan (ICAP)

Upon completion and distribution of the Draft Audit Report, it is requested that the institution provide administrative responses (corrective action) to address each recommendation or finding within a short time frame following the issuance of the Draft Audit Report.

g. Final Audit Report

The Final Audit Report is a detailed and thorough account of the audit conducted and is provided to the President, Chancellor, and/or Dean of the institution, the Human Resource Director, Designated Employer Representative (DER), institution Merit Board members, and other appropriate institution administrators. The Final Audit Report will also be posted at our public website.

The components included in the Final Audit Report consist of the following:

- Introduction: This section identifies the purpose and intent of the report and the premise behind the distinction in findings/issues. It also provides a brief outline and description of the Human Resource functions reviewed while conducting the operational audit.

- Executive Summary: This page lists the Material Findings (prioritized as Act, Code, and Procedures) and incorporates a table identifying the number of Material Findings, Repeated Findings, and prior recommendations implemented or not repeated.

- Material Findings with Administrative Corrective Action Responses: This section identifies specific findings related to violations or potential violations of the Act, Code, or Procedure. Findings are significant in nature, excessive in degree, and should be responded to and rectified immediately upon notification, particularly the repeat findings. Recommendations and/or follow-up requirements will also be identified with timetables clearly communicated.

- Appendices: These are specific data or informational items referenced within the Material Findings detail.

h. Non-Material Findings Supplemental Report

These issues, while extremely important to the overall human resource activity, may be categorized as isolated incidents or are few in number/frequency and should be rectified using a collaborative approach to determine appropriate solutions. This reporting mechanism focuses on the detail pertaining to the Non-Material Findings, and is also utilized when an Employer's

internal processes and protocols may have improved since a previous audit(s) however the data analyzed during the current audit still exhibit some concern. In these instances, the Auditor's recommendations will focus on further process improvements or implementing additional business protocols. The supplemental audit report will be limited in distribution to the Human Resource Director, Designated Employer Representative, internal audit office, and other appropriate institution administrators for proper corrective action.

i. Audit Process Survey

Upon issuance of the Final Audit Report, an Audit Process Survey will be distributed to the Designated Employer Representative in order to obtain feedback and comments on the audit engagement and related activities.

Commitment

The University System Office reaffirms its commitment to establishing and maintaining a collaborative concept of operations by providing guidance and support to Employers, defining and standardizing procedures, and emphasizing items of special interest. The audit process is extremely vital to the overall success of any human resource program and compliance with statutory regulations. Support and feedback from the field is encouraged in order to build and maintain strong human resource professional partnerships.

Primary Audit Contacts

The following Operations and Audit Division staff members are directly responsible for conducting various aspects of these audits:

Lucinda Neitzel, Assistant Director, Operations and Audit Division
Danielle Routh, Program Coordinator, Operations and Audit Division
Jeff Brownfield, Coordinator, Special Assignments