



Item 8: Review of Human Resources Standards and Internal Controls

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Vice President and Chief Compliance Officer

Human Resources and Governance Committee Meeting

ERCOT Public

August 11, 2014

Review of HR Standards and Internal Controls

| Control ID | Objective Name | Objective/Control | Risk/Standards | Control Name | Control | Objective Number | Control Owner's Name |
|-----------------|-----------------------------|--|--|---|--|--|--|
| HR_0002_CONTROL | EMPLOYEE INFORMATION ACCESS | Employee information is appropriately safeguarded. | Sensitive employee information is used for unauthorized or malicious purposes. | Access Reviewed | Access to the HR and payroll systems is periodically reviewed for appropriateness. | HRCO1000 | Susan Westbrook |
| HR_0003_CONTROL | EMPLOYEE INFORMATION ACCESS | Employee information is appropriately safeguarded. | Sensitive employee information is used for unauthorized or malicious purposes. | Restricted Access | Access to HR systems and files with sensitive personnel information is restricted to authorized personnel. Access rights are based upon job responsibilities. | HRCO1025 HRCO1000 | Susan Westbrook |
| HR_0032_CONTROL | EMPLOYEE INFORMATION ACCESS | Employee information is appropriately safeguarded. | Sensitive employee information is used for unauthorized or malicious purposes. | Password security | HR and payroll systems are password protected using unique identifiers. | HRCO1000 | Dawn Hems Susan Westbrook |
| PR_0033_CONTROL | EMPLOYEE INFORMATION ACCESS | Employee information is appropriately safeguarded. | Sensitive employee information is used for unauthorized or malicious purposes. | Access to Physical Files | All physical HR files are maintained in a locked/secure room. Payroll physical files are maintained in a locked cabinet in the Compensation and Payroll Analyst's office. | HRCO1000 | Dawn Hems Colleen Hughes |
| HR_0004_CONTROL | BENEFITS PROVIDER INVOICES | Payments to benefits providers accurately reflect benefits selections and are processed timely. | There are lapses in employee coverage as a result of not paying benefits providers accurately and timely. | Monthly Checklist for Benefit Invoices | If the benefits processing provider does not make benefit payments timely to the benefit providers, HR initiates emergency measures to make manual payments to the benefit providers to prevent lapses in employee coverage. | HRCO1005 | Dawn Hems |
| HR_0005_CONTROL | BENEFITS PROVIDER INVOICES | Payments to benefits providers accurately reflect benefits selections and are processed timely. | There are lapses in employee coverage as a result of not paying benefits providers accurately and timely. | Update to the HRIS | HR administration monitors the transmission from ADP to vendors on a regular basis. | HRCO1005 | Dawn Hems |
| HR_0006_CONTROL | BENEFITS PROVIDER INVOICES | Payments to benefits providers accurately reflect benefits selections and are processed timely. | There are lapses in employee coverage as a result of not paying benefits providers accurately and timely. | Reconciliation of Benefit Invoices | HR ensures that all amounts due to benefit providers are processed timely and approved by HR management. Once approved, payment amounts are forwarded to Treasury, Accounting, and HR notifies the third party benefits processing provider to process payments to the benefit providers. | Compensation and Payroll Analyst | Dawn Hems |
| HR_0008_CONTROL | RESOURCE REQUIREMENTS | Positions are only created to fulfill necessary resource requirements. | Resources are hired unnecessarily, resulting in unjustified costs to the organization. | Staffing Request Approval | An FTE Request Justification is presented and approved by the Executive Team, Manager, Director and Area Officer before a position is posted. | HRCO1010 HRCO1050 | Susan Westbrook Michelle Hoskins Charles Manning |
| HR_0009_CONTROL | JOB POSTING DESCRIPTIONS | Positions are filled with applicants who have the necessary qualifications and experience for the job. | Positions are filled with individuals who are not capable of meeting the job requirements, resulting in increased costs to hire and train employees. | Verification of Approval prior to Posting | The HR Recruiter receives an email notification when the hiring requisition has been approved by the Executive Team. The recruiter verifies that the job description and grade are correct prior to posting. The Manager, Director, and area VP approve the Hiring Requisition again in the applicant tracking system before it is posted. | Recruiter, Sr. | Michelle Hoskins |
| HR_0010_CONTROL | JOB POSTING DESCRIPTIONS | Positions are filled with applicants who have the necessary qualifications and experience for the job. | Positions are filled with individuals who are not capable of meeting the job requirements, resulting in increased costs to hire and train employees. | Offers/Promotion/Compensation Approvals | Offer authorizations, promotions, and compensation changes must be approved by management and HR in accordance with ERCOT procedures. | Dir., Human Resources VP of Human Resources | Susan Westbrook Charles Manning |

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| Control ID | Objective Name | Objective/Control | Risk/Standards | Control Name | Control | Objective Number | Control Owner's Name |
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| HR_0011_CONTROL | JOB VACANCIES | Personnel needs are monitored and open positions are filled as soon as practicable. | A lack of adequate resources results in overburdened staff or failure to accomplish the organization's strategic objectives. | Recruiting activity monitored | The HR Director or HR Business Partner monitors recruiting activity, the reasons for long-standing vacancies and reviews issues with the Hiring Manager and/or HR Recruiter on a periodic basis. | Dir., Human Resources Recruiter, Sr. HR Business Partner | Susan Westbrook Michelle Hoskins Shirley White Stacy Skrhak Jeff Dahmer |
| HR_0012_CONTROL | JOB VACANCIES | Personnel needs are monitored and open positions are filled as soon as practicable. | A lack of adequate resources results in overburdened staff or failure to accomplish the organization's strategic objectives. | Open Position Report | An Open Position Report (OPR) is maintained to track the status of open positions and record details regarding offer acceptances and rejections. The report is reviewed monthly by HR management. | Dir. of Human Resources Recruiter, Sr. | Susan Westbrook Michelle Hoskins |
| HR_0013_CONTROL | EMPLOYEE SEPARATION PROCESS | The employee separation process is appropriately managed to ensure compliance with applicable rules and regulations, and to protect ERCOT's assets and reputation. | A poorly managed separation process results in a financial loss, legal action against ERCOT, or damage to ERCOT's reputation. | Involuntary Terminations | Prior to involuntary termination, if the manager determines possible grounds for termination, the manager consults with HR to discuss the appropriate course of action. Written corrective action forms are filed in the employee personnel file. | HR Business Partner | Shirley White Stacy Skrhak Jeff Dahmer |
| HR_0014_CONTROL | EMPLOYEE SEPARATION PROCESS | The employee separation process is appropriately managed to ensure compliance with applicable rules and regulations, and to protect ERCOT's assets and reputation. | A poorly managed separation process results in a financial loss, legal action against ERCOT, or damage to ERCOT's reputation. | Exiting Employee or Contractor Checklist | Managers use the Asset Delivery/Retrieval forms to verify the return of ERCOT assets when the employee has terminated. The Deskside Support Group notates on the forms any missing assets. HR verifies the return of assets from the Asset Delivery/Retrieval forms. HR notes validation on the Exit Checklist. | HR Business Partner | Shirley White Stacy Skrhak Jeff Dahmer |
| HR_0015_CONTROL | EMPLOYEE SEPARATION PROCESS | The employee separation process is appropriately managed to ensure compliance with applicable rules and regulations, and to protect ERCOT's assets and reputation. | A poorly managed separation process results in a financial loss, legal action against ERCOT, or damage to ERCOT's reputation. | ERCOT Exiting Employees Termination Process | HR sends an email to the "1 ERCOT Exiting Employees" distribution list, which notifies payroll and all appropriate staff of the employee's termination. ERCOT IT, Security and Benefits are included to terminate the employee's access. HR moves forward with OP2.2.2, Computer Assets Operating Procedure for retrieval of company assets. | HR Business Partner | Shirley White Stacy Skrhak Jeff Dahmer |
| HR_0016_CONTROL | EMPLOYEE SEPARATION PROCESS | The employee separation process is appropriately managed to ensure compliance with applicable rules and regulations, and to protect ERCOT's assets and reputation. | A poorly managed separation process results in a financial loss, legal action against ERCOT, or damage to ERCOT's reputation. | Termination Notice 1 ERCOT Exiting Employees | Within 1 business day of receiving the 1ERCOT Exiting Employee termination email, the HR Administrator sends the Personnel Action Form (PAF) to Payroll. | Human Resources Administrator | Colleen Hughes |
| HR_0003_CONTROL | EMPLOYEE SEPARATION PROCESS | The employee separation process is appropriately managed to ensure compliance with applicable rules and regulations, and to protect ERCOT's assets and reputation. | A poorly managed separation process results in a financial loss, legal action against ERCOT, or damage to ERCOT's reputation. | Change or Modify Employee Personnel Records | Access to HR systems and files with sensitive personnel information is restricted to authorized personnel. Access rights are based upon job responsibilities. | Dir., Human Resources | Susan Westbrook |
| HR_0018_CONTROL | HIRING AND ONBOARDING | Employees undergo a thorough pre-employment screening process. | Employees are not pre-screened, resulting in undesirable candidates being hired. | Pre-employment background Checks | Candidates are not allowed to begin work unless a clear drug screen, background check, and NERC security training have been completed. | Human Resources Assistant Human Resources Recruiter | Donna Montgomery Michelle Hoskins |



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| HR_0034_CONTROL | HIRING AND ONBOARDING | Employees undergo a thorough pre-employment screening process. | Employees are not pre-screened, resulting in undesirable candidates being hired. | I-9 verification | HR performs verification on all I-9 paperwork to ensure compliance with Department of Labor regulations. | Human Resources Administrator | Colleen Hughes |
| HR_0019_CONTROL | COMPENSATION INCREASE PROCESSES | Changes to employee compensation are fair and justifiable. | Changes to employee compensation are perceived as unfair, resulting in disgruntled employees or legal action against ERCOT. | Ranges & Slotting Position Changes | HR management approves all changes to pay grade ranges and slotting of positions within the pay grades. | Director, HR | Susan Westbrook |
| HR_0020_CONTROL | COMPENSATION INCREASE PROCESSES | Changes to employee compensation are fair and justifiable. | Changes to employee compensation are perceived as unfair, resulting in disgruntled employees or legal action against ERCOT. | Governance Committee and Board of Directors Requirements | A Charter is in place specifying role, authority, responsibilities, and independence of the HR & Governance Committee of the Board of Directors. | VP of Human Resources | Charles Manning |
| HR_0010_CONTROL | COMPENSATION INCREASE PROCESSES | Changes to employee compensation are fair and justifiable. | Changes to employee compensation are perceived as unfair, resulting in disgruntled employees or legal action against ERCOT. | Offers/Promotion/Compensation Approvals | Offer authorizations, promotions, and compensation changes must be approved by management and HR in accordance with ERCOT procedures. | Dir., Human Resources VP of Human Resources | Susan Westbrook Charles Manning |
| HR_0022_CONTROL | COMPENSATION INCREASE PROCESSES | Changes to employee compensation are fair and justifiable. | Changes to employee compensation are perceived as unfair, resulting in disgruntled employees or legal action against ERCOT. | Performance Based Merit System | A formal, performance-based evaluation process is in place. Salary increases are awarded based on performance, position, and management approval via the SuccessFactors software. | Dir, Human Resources | Susan Westbrook |
| HR_0023_CONTROL | COMPENSATION INCREASE PROCESSES | Changes to employee compensation are fair and justifiable. | Changes to employee compensation are perceived as unfair, resulting in disgruntled employees or legal action against ERCOT. | Performance Against Objectives Review | The CEO's performance against objectives is reviewed by the HR & Governance Committee. The Board of Directors approves changes to the President & CEO's salary and incentive plan. | VP of Human Resources | Charles Manning |
| HR_0019_CONTROL | COMPENSATION BASIS | Compensation is appropriately aligned with the market. | Compensation is not market-based, resulting in unnecessary costs to the organization or difficulty recruiting and retaining employees. | Ranges & Slotting Position Changes | HR management must approve all changes to pay grade ranges and slotting of positions within the pay grades. | Dir, Human Resources | Susan Westbrook |
| HR_0020_CONTROL | COMPENSATION BASIS | Compensation is appropriately aligned with the market. | Compensation is not market-based, resulting in unnecessary costs to the organization or difficulty recruiting and retaining employees. | Governance Committee and Board of Directors Requirements | A Charter is in place specifying role, authority, responsibilities, and independence of the HR & Governance Committee of the Board of Directors. | VP of Human Resources | Charles Manning |

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| HR_0024_CONTROL | COMPENSATION BASIS | Compensation is appropriately aligned with the market. | Compensation is not market-based, resulting in unnecessary costs to the organization or difficulty recruiting and retaining employees. | Independent Board Member Compensation | The HR & Governance Committee of the Board of Directors determines the independent board member compensation, which is based on information provided by reputable compensation consulting firms. | VP of Human Resources | Charles Manning |
| HR_0010_CONTROL | COMPENSATION BASIS | Compensation is appropriately aligned with the market. | Compensation is not market-based, resulting in unnecessary costs to the organization or difficulty recruiting and retaining employees. | Offers/Promotion/Compensation Approvals | Offer authorizations, promotions, and compensation changes must be approved by management and HR in accordance with ERCOT procedures. | Dir, Human Resources VP of Human Resources | Susan Westbrook Charles Manning |
| HR_0025_CONTROL | EMPLOYEE BENEFITS | Benefits are appropriately administered to ensure compliance with applicable rules and regulations. | Violation of benefits rules and regulations results in financial liability to ERCOT or disgruntled employees. | Changes to the HRB Master File | Changes to the HRB master file that are input by HR (such as new positions, new hires, and salary changes) are input timely and based on appropriate source documents. | Human Resources Administrator | Colleen Hughes |
| HR_0026_CONTROL | EMPLOYEE BENEFITS | Benefits are appropriately administered to ensure compliance with applicable rules and regulations. | Violation of benefits rules and regulations results in financial liability to ERCOT or disgruntled employees. | Eligibility for Benefits | Upon hiring and during open enrollment, employees self-select their benefits within the appropriate systems. There are system controls/restrictions related to certain benefits. If errors are identified HR addresses and/or corrects. | Benefits Analyst, Sr. | Debbie McDonough |
| HR_0027_CONTROL | EMPLOYEE BENEFITS | Benefits are appropriately administered to ensure compliance with applicable rules and regulations. | Violation of benefits rules and regulations results in financial liability to ERCOT or disgruntled employees. | New Hire & Benefit Checklist | HR maintains and completes a New Hire checklist and Benefits checklist to confirm that all proper documentation is received and entered into the HRB. | Human Resources Administrator | Colleen Hughes |
| HR_0029_CONTROL | EMPLOYEE BENEFITS | Benefits are appropriately administered to ensure compliance with applicable rules and regulations. | Violation of benefits rules and regulations results in financial liability to ERCOT or disgruntled employees. | New Employee Orientation & Open Enrollment | ERCOT provides benefits information to all employees during new employee orientation and open enrollment. | Benefits Analyst, Sr. | Debbie McDonough |
| HR_0030_CONTROL | EMPLOYEE BENEFITS | Benefits are appropriately administered to ensure compliance with applicable rules and regulations. | Violation of benefits rules and regulations results in financial liability to ERCOT or disgruntled employees. | Personnel information is retained in accordance with relevant regulatory requirements | Personnel and benefits-related data is maintained in accordance with ERCOT records retention requirements. | Director, HR Benefits Analyst, Sr. | Susan Westbrook Debbie McDonough |
| HR_0025_CONTROL | CHANGES & ADDITIONS TO HRIS MASTER FILES | The HRB master file is accurate, complete, and updated timely. | Inaccurate or incomplete master file information results in incorrect payroll or benefits transactions. | Changes to the HRB Master File | Changes to the HRB master file that are input by HR (such as new positions, new hires, and salary changes) are input timely and based on appropriate source documents. | Human Resources Administrator | Colleen Hughes |

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| HR_0026_CONTROL | CHANGES & ADDITIONS TO HRIS MASTER FILES | The HRB master file is accurate, complete, and updated timely. | Inaccurate or incomplete master file information results in incorrect payroll or benefits transactions. | Eligibility for Benefits | Upon hiring and during open enrollment, employees self-select their benefits within the appropriate systems. There are system controls/restrictions related to certain benefits. If errors are identified HR addresses and/or corrects. | Benefits Analyst, Sr. | Debbie McDonough |
| HR_0031_CONTROL | CHANGES & ADDITIONS TO HRIS MASTER FILES | The HRB master file is accurate, complete, and updated timely. | Inaccurate or incomplete master file information results in incorrect payroll or benefits transactions. | Time tracking System Timesheet | Managers receive a notice from Finance if employees that are active in ADP do not enter a timesheet in the Time and Attendance system. Compensation and Payroll Analyst ensures that hours for terminated employees are valid prior to entering into the payroll system. | Accountant, Sr. Compensation and Payroll Analyst | Bill Palmer Dawn Herms |
| HR_0008_CONTROL | CHANGES & ADDITIONS TO HRIS MASTER FILES | The HRB master file is accurate, complete, and updated timely. | Inaccurate or incomplete master file information results in incorrect payroll or benefits transactions. | Staffing Request Approval | A staffing request must be approved by the Executive Team, Manager, Director and Area Officer before a position is posted. | Dir, Human Resources Recruiter, Sr. VP of Human Resources | Susan Westbrook Michelle Hoskins Charles Manning |
| HR_0016_CONTROL | CHANGES & ADDITIONS TO HRIS MASTER FILES | The HRB master file is accurate, complete, and updated timely. | Inaccurate or incomplete master file information results in incorrect payroll or benefits transactions. | Termination Notice 1 ERCOT Exiting Employees | Within 1 business day of receiving the 1ERCOTExiting Employee termination email, the HR Assistant sends the Personnel Action Form (PAF) to Payroll. | Human Resources Administrator | Colleen Hughes |