The University of New Mexico

Internal Audit Department
MSC05 3380
1 University of New Mexico
Albuquerque, NM 87131-0001
Located at: 305 Scholes Hall
Phone:(505) 277-5016 Fax:(505) 277-2244

MEMORANDUM

To: Vera Norwood, Associate Dean, College of Arts & Sciences

From: Yvonne Cox, Interim Director, Internal Audit Department Yvonne Cox

Date: June 10, 2004

Subject: African-American Studies Program Overtime Payroll Allegations Report 2004-15

Enclosed is the above final report with your integrated response, which has been approved by the President of the University. Those who receive copies of this report package may not photocopy it, release it, nor reveal the contents, in whole or in part, without the advance written approval of the President of the University.

Audit reports will be posted on the Internal Audit Department's University website one week after the final report is issued. The full text of the reports will be made public except for information which could compromise individuals' rights, the security of University systems or impair a pending law enforcement investigation or proceeding.

Please contact the Internal Audit Department when corrective actions are completed so we can perform the follow-up review.

cc: Louis Caldera
Brian Foster
David Harris
Richard Holder
Reed Dasenbrock
Bill Britton
Wynn Goering

AFRICAN-AMERICAN STUDIES PROGRAM
OVERTIME PAYROLL ALLEGATIONS

INTRODUCTION

PURPOSE

The purpose of our review was to investigate the payroll allegation regarding overtime in the African-American Studies Program (Program).

SCOPE

Our procedures included meeting with University employees and reviewing various types of University documents and internal controls in regards to the specific allegations. The field work was completed by March 9, 2004.

BACKGROUND

We received a specific allegation that an employee allegedly submitted overtime that was not worked and signed his supervisor's name on a payroll timesheet for hours that the employee did not work.

The African-American Studies Program was established at The University of New Mexico in 1970. It is a multi disciplinary major-degree granting department that offers about forty courses. It provides the African American perspective to issues relevant to the education of all people, especially African Americans for the 21st century, to both the University community and the community at large. The Director of the African-American Studies Program (Director) reports to the Senior Associate Dean of the College of Arts & Sciences.

OPINION

We did not find support for the allegation of overtime abuse. However, we did find four internal control weaknesses that we address in this report.

RESPONSE FROM THE SENIOR ASSOCIATE DEAN OF THE COLLEGE OF ARTS & SCIENCES

Thank you for the Internal Audit report on African-American Studies Program Overtime Payroll Allegations. I have read the report and agree with all the findings. Immediately upon being apprised of the Director's concerns about an employee's handling of his overtime reports, I met with him and we took these concerns to Internal Audit and Human Resources. We discussed the allegations and agree with the findings of Internal Audit that there is not support for a charge of overtime abuse but that there are weaknesses in internal control. We also discussed how to remedy the situation and agreed to implement the recommendations made by Internal Audit for improving internal control of payroll and overtime procedures in African American Studies. The Director has now implemented the recommendations.

EXECUTIVE SUMMARY

The purpose of this section is to provide management with an overview of our findings. Numbers in brackets[ ] refer to page numbers in the report.

SIGNING ANOTHER PERSON'S NAME [4]

The Program Coordinator (employee) signed the Department Administrator's (supervisor's) name on payroll timesheets.

RECONCILIATIONS [4]

The supervisor was not reconciling the monthly payroll leave balances and expenses to the Payroll Reports or the Financial Reporting System (FRS).

OVERTIME [5]

The employee stated that he did not know that he needed to get approval before working overtime. In addition, the supervisor, who signed the timesheets, had approved overtime in the past without any prior approvals.

TIME SLIPS AND PAYROLL TIMESHEETS [5]

The employee did not record the time he worked on his internal time slips accurately. Some time slips were missing the times in and out for lunch and one was completed incorrectly for the week of Christmas.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

SIGNING ANOTHER PERSON'S NAME

A person should not sign someone else's name. The Program Coordinator (employee) signed the Department Administrator's (supervisor's) name on payroll timesheets. The supervisor told us she was aware of a prior incident when the employee signed her name and she did not tell the employee not to do it again. The employee interpreted this as implicit authority to sign her name.

Recommendation 1
We recommend that the employee not sign the supervisor's name in the future. We also recommend that the Director work with Human Resources to take any disciplinary action necessary.

Response from the Senior Associate Dean of the College of Arts & Sciences

We agree with the recommendation. Although Human Resources determined that no disciplinary action is required at this time, the Department Administrator met with him on Jan. 26th and the Director met with him on Jan. 27th. On both occasions his supervisors discussed the seriousness of the offense and stated that he should never sign someone else's name to any document. He stated that he understood the policy and procedure and would follow it henceforth.

RECONCILIATIONS

University Business Policy and Procedures Manual (UBPPM) 2645 states that, "Departments are responsible for verifying that labor expenses are posted accurately and are charged to the appropriate account. In order to verify the accuracy of labor charges, the department should reconcile the accounts each month. To do so, the department may calculate the monthly salary charges according to the internal records and compare this amount to the monthly accounting and payroll reports."

The supervisor knew that overtime was being charged to the accounts because she monitored the budget; however, she did not reconcile the amount of overtime charged to the amount that was submitted and approved. Therefore, no one was reviewing the expenses to the Payroll Reports or the Financial Reporting System (FRS) to ensure that the information recorded by the University and charged as an expense to the Program is correct.

Recommendation 2

We recommend that the supervisor reconcile the payroll information to both the Payroll Reports and the FRS. The reconciliations should be given to the Director to review.

Response from the Senior Associate Dean of the College of Arts & Sciences

We agree with the recommendation. The Director and his Department Administrator have developed a regular schedule for her to reconcile payroll information and for him to receive and review the reconciliation. He has been following this procedure since March 1, 2004.

OVERTIME

Pursuant to University policy UBPPM 3305, "A supervisor must authorize overtime before the start of the overtime work." At the time of our review, the employee stated that he did not know that he needed to get approval before working overtime. In addition, the supervisor, who signed the timesheets, had approved overtime in the past and she did not inform the employee that he needed to get the overtime hours approved before he worked them.

Recommendation 3

We recommend that the supervisor make it clear to the employee that he is not to work overtime without advance approval.

Response from the Senior Associate Dean of the College of Arts & Sciences

We agree with the recommendation. The Director met with the employee and informed him that he is not to work overtime without advance approval.

TIME SLIPS AND PAYROLL TIMESHEETS

The information from the time slips should be used to complete the Payroll timesheets that are given to the Payroll Department to generate the employee's paycheck. The time slip needs to be recorded accurately, so that the timesheet is correct and the employee will be paid for the time he worked. The supervisor should occasionally check the time slip to verify that the employee is completing it on a daily basis and that the information is correct.

The employee completed internal time slips; however, he stated that he did not record the time he worked on his time slip accurately. Some time slips were missing the times in and out for lunch and one was completed incorrectly for the week of Christmas where the employee recorded that he worked an hour of overtime on Christmas day. The employee stated that he sometimes works during lunch and Saturdays, and does not get paid for his time. Therefore, the employee was paid for time that he did not work - an hour of overtime on Christmas, and was not paid for some time he worked during his lunch hour or on Saturdays.

Neither the supervisor nor the Director were reviewing the time slips on a regular basis. They did not know when the employee had worked.

Recommendation 4

We recommend the supervisor require the time slips to be completed daily and turned in with the timesheet at the end of the pay period. We also recommend that the supervisor occasionally check the time slip to verify that the employee is completing it daily and recording the time accurately. In addition, we recommend that the Program work with the employee and the UNM Payroll Department to pay him for hours that he worked but was not paid for.

Response from the Senior Associate Dean of the College of Arts & Sciences

We agree with the recommendations. The employee is turning in regular time slips at the end of the pay period and is doing so under close supervision by the Department Administrator. The Director is working with the employee to determine how many, if any, additional overtime hours he worked but was not paid for.