

**OFFICE OF THE MEDICAL INVESTIGATOR
AUDIT OF PAYROLL PROCESSES**

THE UNIVERSITY OF NEW MEXICO

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The University of New Mexico

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ABBREVIATIONS

Board.....	Board of Medical Investigations
FDMI.....	Field Deputy Medical Investigators
HR.....	Department of Human Resources
HSC.....	University of New Mexico Health Sciences Center
OMI.....	Office of the Medical Investigator
Payroll Department.....	University Payroll Department
SOM.....	School of Medicine
UBP.....	University Business Policies and Procedures Manual
UNM.....	The University of New Mexico

EXECUTIVE SUMMARY

Complaints through the UNM Anonymous Hotline initiated the review of the payroll processes at the Office of the Medical Investigator (OMI). In our review, we assessed the current processes to verify that they were adequately documented and to recommend improvements to operational efficiency.

OMI has processes to ensure payroll is prepared in accordance with University policies. However, the processes were not adequately documented and there are some instances of noncompliance with University policies, specifically related to the method of reporting hours worked for Field Deputy Medical Investigators (FDMI). There were also audit findings related to recurring issues within the School of Medicine.

The following summary provides management with an overview of conditions requiring attention:

ANNUAL AND SICK LEAVE POLICY

OMI management should develop procedures to reconcile employee's leave balances with the balances reported by the Payroll Department. The Chief Medical Investigator responded he will implement a procedure to monitor and reconcile leave balances.

PAYROLL PROCESSING PROCEDURES

OMI should develop an office procedure manual that provides clear guidance on the payroll processes and procedures within the department. The Chief Medical Investigator responded he will develop a payroll procedures processing manual.

FIELD DEPUTY MEDICAL INVESTIGATOR ISSUES

OMI should document in a single comprehensive agreement the employment relationship between the Department and the FDMI. The Chief Medical Investigator responded he will work with the University Counsel to develop work agreements for FDMI. OMI management should work with the Payroll Department to come up with a more accurate way of depicting payment of case fees on the payroll reports. The Associate Vice President of Financial Services responded he will work with OMI management in determining the best method of disbursing salary and benefits to OMI employees through the Banner payroll system.

RECURRING ISSUES AT THE SCHOOL OF MEDICINE

The Office of the Dean of the School of Medicine (SOM) should work with departments in the SOM to develop and document departmental operating and payroll procedures. The Dean of the School of Medicine responded he will work with departments in the SOM to develop standard payroll procedures and work agreements.

CONCLUSION

This audit identified a number of instances where operations could be improved at OMI through documentation of existing procedures. Control over the current system can be strengthened through implementing employment agreements for FDMI, clarifying job descriptions, and developing new policies for reconciling leave balances.

INTRODUCTION

BACKGROUND

The OMI was created by the New Mexico State Legislature in 1972 and became operational in 1973. OMI has 74 employees operating in the Central Office, and employs 120 FDMI throughout the State of New Mexico. The annual budget for fiscal year ending June 30, 2007 is \$5,223,352, of which \$2,864,877 is for salaries.

Replacing the county coroner system, the OMI is responsible for investigating all reportable deaths occurring in New Mexico. OMI determines the cause and manner of death in such cases and provides formal death certification.

The OMI investigates any death occurring in the State of New Mexico that is sudden, violent, untimely, unexpected or where a person is found dead and the cause of death is unknown. The OMI is designated as a special program within the Department of Pathology at the University of New Mexico School of Medicine. A Board of Medical Investigations (Board) comprised of the Dean of the UNM School of Medicine, the Chief of the New Mexico State Police, the Secretary of the New Mexico Department of Health, the Chairman of the New Mexico Thanatopractice and the Chairman of the New Mexico Indian Affairs Commission was established to oversee and develop policy.

The Board appoints the Chief Medical Investigator who has responsibility for operations. The program operates out of the Central Office located in the UNM Health Sciences Center. The Central Office directs all investigative activities statewide. Specially trained and certified FDMI conduct field investigations. The FDMI contact the Central Office and present the results of each investigation to Central Office Deputy Medical Investigators who make the ultimate decisions regarding jurisdiction and the need for further medicolegal investigation. All autopsy services are conducted in the Central Office and are performed by forensic pathologists with the assistance of morphology technicians.

PURPOSE

The purpose of our audit was to review the payroll processing function of OMI to determine whether adequate policies and procedures are in place, and to assess whether the department complies with these policies and procedures.

SCOPE

Our audit was limited to a review of the payroll processing procedures at OMI. The fieldwork was completed on October 16, 2006. Our audit procedures included analyzing the payroll procedures currently in use and assessing the adequacy of documentation of those procedures.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

ANNUAL AND SICK LEAVE POLICIES

Annual and Sick Leave Reconciliation

OMI does not reconcile departmental records to annual or sick leave balances per the Payroll Department. OMI's annual and sick leave procedures require advance approval for employees to take time off from work. Employees submit an annual or sick leave request form for approval from their immediate supervisor. The forms are used to account for annual and sick leave reported to the Payroll Department.

Supervisors are expected to monitor employee leave balances. Section 7 "Annual Leave" Policy 3400, UBP provides the record keeping requirements for leave balances:

The University Payroll Department keeps official leave records for the University's nonexempt and exempt staff employees. Each department is also responsible for maintaining internal records of each employee's leave, including leave hours earned and used, as well as leave balances.

OMI should reconcile leave balances per Payroll Department records to OMI records to accurately monitor annual and sick leave. Without reconciliations, the leave balances reported by either OMI or the Payroll Department may be inaccurate.

Recommendation 1

OMI management should develop procedures to periodically reconcile monthly employees' annual and sick leave balances per the Payroll Department with the employees' leave records at OMI.

Response from the Chief Medical Investigator

OMI agrees with this recommendation. OMI will develop and implement a procedure by which OMI supervisors will periodically monitor Payroll Department leave balances and compare them with department records to ensure leave balances are correct. This procedure will be implemented at the second pay period in January 2007.

Sick Leave Policy

Some employees at OMI have taken an extraordinary amount of sick leave over a relatively short period. Employees may be required to provide a physician's statement for absences due to sickness. The requirement for an employee to submit a physician's statement appears to be at the supervisor's discretion. According to Section 5.2.1 "Sick Leave" Policy 3410, UBP:

When employees are absent for two (2) or more consecutive days due to sickness, they may be required to submit to their supervisor a physician's statement certifying that they were under the doctor's care during the period of absence and were unable to work. At the supervisor's discretion, a physician's statement may also be required for the first day of absence due to sickness, particularly in cases of recurring absences or chronic illnesses.

Policy does not require certification by a physician when there is long-term absence from work that requires use of sick leave. Therefore, there is no documentation available should questions arise concerning extended work absences.

Recommendation 2

The Department of Human Resources (HR) should review the Sick Leave Policy to determine whether a requirement for a physician statement should be required once an employee's absences from work reach significant levels.

Response from the Director of the Department of Human Resources

Management concurs. The Vice President of Human Resources will review the Sick Leave Policy to determine appropriate and reasonable duration of absence for requiring physician certification. This review will be accomplished and any subsequent policy change recommendations will be made by February 15, 2007.

PAYROLL PROCESSING PROCEDURES

OMI is operating without the benefit of a departmental payroll procedure manual. The only available guidance is a training handout from the Payroll Department that provides examples of how to fill out time reports, but does not address any of the specific issues inherent in the OMI payroll process. The department has a complex system of payroll processing procedures, including complicated methods of calculating compensation for field investigators, calculating shift differentials, and holiday pay. A comprehensive payroll procedure manual is essential to proper management and operation of OMI, and will provide consistency and increase efficiency in payroll functions.

Recommendation 3

OMI should develop a procedure manual that provides clear guidance on the payroll processes and procedures within the department. The manual should include compensation rates and shift differential procedures, procedures for submitting time, information on payroll processing, treatment of holiday pay, and any other information useful to personnel in carrying out the payroll function within the department.

Response from the Chief Medical Investigator

OMI agrees with this recommendation. An OMI manual for payroll processing will be created, and it will correct and standardize the payroll reporting practices in each OMI unit: Investigations, Morphology, and Administrative and Information Services. The manual will address compensation rates and shift differential procedures, the correct management of holiday pay, and methods of calculating non-standard compensation scenarios. The development of the manual will require close coordination with Payroll and written direction and clarification from them to insure OMI compliance with all applicable Payroll directives. The manual will be completed on 15 March 2007, and the OMI staff will be completely trained in its use by 15 April 2007.

FIELD DEPUTY MEDICAL INVESTIGATOR ISSUES

HR has designated FDMI as employees who are reported at hourly rates on payroll reports. The FDMI are also listed at hourly rates in posted job descriptions. This is problematic because FDMI work on a case fee basis, and are paid a set amount per case regardless of the actual hours spent working a case. The absence of any formalized employment agreement between OMI and the FDMI is partially responsible for the reporting discrepancies.

Employment Agreements

FDMI are operating without the benefit of a formal written agreement with the OMI that documents the relationship with OMI, responsibilities of each party, and terms of payment for services rendered. At present, the field investigators sign a one-page agreement, but the document does not adequately detail the employment arrangement.

Formal written agreements between OMI and the field investigator is a preventive control that outlines the general terms of employment at the OMI. Documented agreements, while not addressing every possible employment scenario, can prevent or lessen misunderstanding of the rights and responsibilities of each of the parties to the employment relationship. Formal employment agreements are subject to the contract review provisions in Section 2010 “Contracts Signature Authority and Review” of the UBP.

Recommendation 4

OMI should work with University Counsel to develop a standard agreement to document the employment relationship between the department and FDMI that outlines the rights and responsibilities of each party. The agreement should cover issues such as work assignments, responsibility for maintaining and submitting records, pay rates, and any other relevant terms and conditions of employment.

Response from the Chief Medical Investigator

OMI agrees with this recommendation. OMI currently has an “Agreement to Serve” document that new Field Deputies sign when they begin their employment. This document will be expanded to encompass a contract which fully defines the relationships between the department and the FDMI, and addresses work assignments, documentation and records, pay statements, media interactions, and other important aspects of the relationship. OMI will work with the University Counsel in the development of this agreement and expects to have it in place no later than 15 March 2007.

Job Descriptions

Pay rates for FDMI are listed in posted job description as hourly rates, however in actual practice field investigators work on a case fee basis. Compensation as described in the FDMI job descriptions should be consistent with the actual practice used to pay the investigators. This discrepancy has resulted in job postings and job descriptions that do not reflect the actual payment practices for field investigators.

Recommendation 5

OMI management should work with HR to align FDMI job descriptions with actual payment practices in use in the department.

Response from the Chief Medical Investigator

OMI agrees with this recommendation. OMI management will work with Human Resources to create a job description and payroll reporting system that accurately and consistently determines and records payment to Field Deputy Medical Investigators. Revised job descriptions and payroll practices will be in place by 1 May 2007. This date requires that the case fee reporting procedures discussed in Recommendation 6 have also been completed by 1 May 2007.

Payroll Reporting of Case Fees

Discrepancies exist between the basis on which FDMI are compensated and the method in which the activity is reported to the Payroll Department. Through practice and experience, OMI management has determined that it takes FDMI an average of eight hours to complete a case, and the Board has determined set amounts to pay for each case depending on the type and circumstances of the case.

Although in actual practice FDMI are compensated a set amount per case, HR has established them as hourly employees, and the Payroll Department requires that the activity be reported on an hourly basis. FDMI do not keep track of hour spent working cases since their compensation is not dependent upon the time it takes to complete the case. To report the activity on the payroll

report, OMI personnel convert the case fees to an hourly basis by dividing the case fee by the hourly rate. This practice is misleading and results in reporting hours to the Payroll Department that bear no relationship to the actual hours worked on the case.

A new payroll processing system (Banner) is scheduled for implementation by June 2007. Management should consider whether Banner will accommodate case fee payments.

Recommendation 6

OMI management should work with the Payroll Department to come up with a more accurate way of depicting payment of case fees on the payroll reports.

Response from the Chief Medical Investigator

OMI agrees with this recommendation. OMI and Human Resources began addressing this issue prior to the audit. OMI conducted a survey with other medical examiner offices around the nation to examine standard practices with regard to on-call field investigators. This information was turned over to Human Resources for their review in September 2006, and we are jointly waiting the results of this audit before proceeding with any changes. OMI will resume working with Human Resources to determine an accurate breakdown for case fees, and we will meet with Payroll to see how this can be accommodated under their system. Currently, the type of case that is being investigated determines case fees. Additional breakdowns will be added to reflect additional work that is being conducted, such as medical record retrieval and administrative work. Once this is established, this will be reflected in the internal procedures manual. Projected completion date for these actions is 1 May 2007.

Recommendation 7

The Payroll Department should ensure paying case fee payments to FDMI can be accommodated by the Banner payroll system due to be implemented by June 2007.

Response from the Associate Vice President of Financial Services

While the Banner payroll system can accommodate "event payments" such as case payments of OMI, it has no means of accommodating the accompanying sick and annual leave benefits which are based on an hourly rate. During the next six months, the Payroll and HR departments will work with OMI management in determining the best method of disbursing salary and benefits to OMI employees through the Banner payroll system.

RECURRING ISSUES AT THE SCHOOL OF MEDICINE

Development of Policies and Procedures

Departments at SOM have developed their own procedures or have not developed any procedures for efficient internal operations. We conducted several payroll audits at the SOM, and determined that there are recurring issues to be addressed by the Office of the Dean of the School of Medicine. During the course of our audits, we found that there are no standard payroll processes and that departments generally have not adequately documented office policies and procedures. Best practice would be to have consistently applied policies and procedures in departments throughout the SOM.

Recommendation 8

The Office of the Dean of the School of Medicine should work with departments in the SOM to develop and document departmental operating and payroll procedures.

Response from the Office of the Dean of the School of Medicine

The Dean's Office agrees with this recommendation. Office of the Dean of the School of Medicine will work with departments in the SOM to develop standard payroll procedures. Consistent policies and procedures will tighten internal controls for payroll. This process will be completed by June 30, 2007.

Employment Agreements with Outside Professionals

Employment arrangements with outside professionals are not documented with formal agreements between the professional and the University. In addition, there is little guidance on accurately reporting special arrangements with outside professionals to the Payroll Department. Examples of such employment arrangements with outside professionals include FDMI at the OMI, and medical providers within the Locum Tenens Program as noted in audit report 2006-02 Center for Community Partnerships Audit of Payroll Process.

Recommendation 9

The Office of the Dean of the School of Medicine should identify special employment arrangements with outside professionals providing services to departments within the SOM. The Office of the Dean should assess whether employment agreements are required and whether there are specific payroll reporting issues that may benefit from guidance or clarification.

Response from the Office of the Dean of the School of Medicine

The Dean's Office of the School of Medicine agrees with this recommendation. The Dean's Office will work with SOM departments to develop procedures for documenting formal employment agreements between outside professionals and the University. This documentation will include a method of reporting special arrangements to the Payroll Department. New procedures will be completed by June 30, 2007.

CONCLUSION

We performed a limited review of the payroll procedures at the OMI. During our review, we assessed the current procedures and processes to determine whether they were adequately documented and effective for carrying out the payroll function. OMI does not have adequate documentation of its payroll procedures and as a result there are inconsistencies in procedures for reporting of hours and in job descriptions for certain employees. Control over the annual and sick leave process can be strengthened by periodic reconciliation of annual and sick leave balances for employees with records kept by the Payroll Department. The Office of the Dean of the School of Medicine can improve operating efficiency and consistency within its departments by ensuring appropriate employment agreements are in place and that operating procedures are adequately documented.

APPROVALS

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Approved for Publication

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