

**THE UNIVERSITY OF NEW MEXICO GALLUP CAMPUS
AUDIT OF BUSINESS PRACTICES AND PROCESSES**

THE UNIVERSITY OF NEW MEXICO

**Report 2009-17
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ABBREVIATIONS

CIO.....	Chief Information Officer
COBIT.....	Control Objectives for Information and Related Technology
Gallup.....	The University of New Mexico Gallup Campus
HR.....	Human Resources
IA	University Internal Audit Department
IT.....	Information Technology
ITS.....	Information Technology Services
PPD	Physical Plant Department
SFA	Student Financial Aid
SHEA	Safety, Health and Environmental Affairs
UBP.....	University Business Policy and Procedures Manual
University.....	The University of New Mexico
UNM	The University of New Mexico

EXECUTIVE SUMMARY

We received numerous concerns through the University hotline regarding the operations of The University of New Mexico Gallup Campus (Gallup). We investigated the specific allegations and related issues. The purpose of our audit was to determine if the concerns brought to our office are valid and to provide recommendations for improvements.

In summary:

- We could not determine if the concerns regarding the Physical Plant Department were valid, because there were not adequate internal controls to ensure consistent operations.
- The concern reported regarding the Information Technology (IT) area was not true; however, we conducted a risk assessment of the area and have recommendations for improvement.
- The concerns regarding Student Financial Aid (SFA) are valid, because Gallup had used estimated expenses in computing financial aid.
- We were unable to confirm the concerns brought forward regarding the restricted accounting area; there appeared to be adequate controls at both the Gallup Campus and Main Campus to reduce the risks.

We reviewed the operations with the outlook of improving controls to eliminate future allegations and concerns.

INFORMATION TECHNOLOGY (IT) CONCERNS

The IT Manager needs to develop IT policies, strengthen internal controls, and establish IT recovery plans. The IT Manager agreed with the recommendations and is implementing policies and practices to address the IT concerns.

STUDENT FINANCIAL AID DEPARTMENT (SFA)

The Director of Gallup Student Services needs to ensure that actual receipts are required for financial aid, rather than estimates. Management agreed. Staff received training and instruction for proper processing of financial aid.

FINANCIAL SERVICES

The Executive Director needs to request repayment from an employee who charged the University for invalid travel expenses. In addition, Financial Services needs to close their checking account. The Executive Director agreed with the recommendations. Reimbursement will be requested upon determination of the amount owed. The checking account is closed.

CAMPUS WIDE CONCERNS

The Vice President for Human Resources (HR) needs to clarify the policy regarding employees taking courses during work time. In addition, the Vice President for HR should work with the Policy Manager to clarify when exempt employees should take annual and sick leave. The Vice President for HR agreed to work with the Policy Manager to review the policies to determine if further clarification and take the necessary action.

PHYSICAL PLANT DEPARTMENT (PPD)

Concerns were addressed with management during our first field visit in April of 2009. As indicated in this report, PPD management strengthened their internal controls during the course of our audit.

INTRODUCTION

BACKGROUND

Gallup Campus

Gallup is the largest institution of higher education in a service area that is larger than the state of Connecticut. It includes the city of Gallup (pop. 22,000), parts of the Navajo Nation, and the Pueblo of Zuni. The Gallup Campus, which is located in Gallup, has a total student population of 2,837, of which 79% are Native Americans (Fall 2008). During the 2007-2008 academic year, 157 UNM Gallup students completed associate degrees, and another 49 students earned certificates. The largest number of associate degrees is in Nursing (27%), followed by Early Childhood Education (15%), and General Studies (15%).

UNM Gallup operates a campus in Zuni, New Mexico on the Pueblo of Zuni. Zuni is located 40 miles from the Gallup Campus. The Zuni Campus opened in 2001, and is a 25,151 sq. ft. building. The Zuni Campus has seen steady enrollment growth during the last two years. In Fall 2008, there were 264 students enrolled in the Zuni Campus.

UNM Gallup also operates a North Campus that opened in 1998 and was later remodeled in 2008 to accommodate student demand. The North Campus is approximately 5,166 sq. ft., and provides largely adult education classes.

There are 67 full time faculty, approximately 108 temporary faculty, and 132 staff employed full-time at UNM Gallup. For the fiscal year ending June 30, 2008, the total revenues were \$21,652,567, and the total expenses were \$17,908,399.

Allegations

We received anonymous information regarding PPD concerns. Therefore, we gathered our information regarding the operations of the PPD through review of financial records and by interviewing all 18 PPD employees. Some of the concerns brought to our attention included:

- Employees taking University property home for personal use;
- Employees making purchases for the University using their own monies;
- Employees having safety concerns regarding the chemicals and adequate training;
- Employees having personnel issues and concerns with their management;
- Employees believing there were Union violations;
- An employee not paid for overtime;
- Employees concerned with management not using the inventory system; and,
- Employees concerned with management taking home surplus/leftover job supplies.

We address all of the above concerns with applicable recommendations in this report. We received an allegation that the IT Manager did not report a possible breach in security to Main Campus IT, as is required by University policy. The allegation relating to the IT area was untrue; however, we conducted an IT risk assessment with the IT Manager pursuant to the University Business Policies and Procedures Manual (UBP) 2550 “Information Security” Sec 4 “Monitoring and Testing,” which states, “The University Internal Audit Department will include as part of its routine audit procedures a review for compliance with the UNM Information Security Program.”

The allegations in SFA included concerns that an employee was registering for full-time aid, receiving it, and then dropping half of the courses - while still receiving the full student financial aid (and also not affecting the student’s satisfactory academic progress).

The allegations in Financial Services were that an employee was abusing restricted funds for travel, and submitting inappropriate entertainment/food expenses.

The campus-wide findings were developed during the regular course of the audit.

PURPOSE

The purpose of our audit is to determine if the concerns brought to Internal Audit are valid, and to provide recommendations for improvements.

SCOPE

We limited our audit procedures to reviewing the specific allegations and concerns. We reviewed Gallup and University-selected financial records, and interviewed University employees. The fieldwork was completed on December 10, 2009.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

POLICIES AND PROCEDURES

An organization uses policy documents to record their rules and regulations and to identify how they would like their operations managed. Policies are often structured to comply with Federal and State laws. The University has three primary sets of policies: The University of New Mexico Board of Regents' Policy Manual, the University Business Policy and Procedures Manual (UBP), and the University of New Mexico Office of the Secretary Faculty Handbook.

Within the University, there are over 300 separate organizational areas. Each of these areas is responsible for their own operations. Therefore, these areas must develop and maintain the policies necessary to define the rules and regulations specific to their area.

Procedures identify how the policies are to be implemented to ensure compliance with University policies, departmental policies, and Federal and State laws. Written procedures are used to establish what should be done as well as how, when and by whom. The procedures normally identify the step-by-step processes of how to implement and carry out the policy including identifying the specific tasks, and clarifying roles and responsibilities. They should be used to provide consistency in the processes, which can increase overall efficiency. Procedures can also be used to improve communications, establish strong internal controls for regulatory compliance, and standardize bookkeeping to help reduce waste, fraud and abuse.

Well-defined policies and procedures can be used to provide orientation and training for new employees and to refresh the skills of current employees. In addition, they can reduce the risk of confusion, the potential for litigation, and provide documentation for auditors and program reviewers.

Policies and procedures should be widely accessible. This will provide employees with the information needed to effectively make decisions at the most appropriate level, streamline administrative processes, and provide the basis for individual and departmental accountability.

Included in this report are several areas where Gallup will benefit from implementation of adequate written policies and procedures.

INFORMATION TECHNOLOGY

System Administration Procedures

IT has not documented their departmental security practices, including: password controls for flash drives and unattended computers, laptop virus risks, procedures for administrative account use, controlling and monitoring software licenses, and ensuring that the modem is adequately secured. UBP 2520 "Computer Security Controls and Guidelines" Sec 1 "General" states:

Therefore, all departments operating University owned computers, including those operated by faculty, staff, and students, must develop departmental security practices which comply with the security practices listed below. In addition, departments must have environment-specific management practices for business functions such as maintenance, capacity planning, software licensing and copyright protection, training, documentation, power, and records management for computing systems under their control. . . Departments must document and periodically review established practices.

The lack of adequate and consistent security administration procedures may result in unauthorized use of, disclosure of, modification to, and/or damage or loss to systems or data.

Recommendation 1

IT needs to develop and document their departmental security practices in accordance with University policy.

Response from the IT Manager and Executive Director

We concur. Gallup IT will work with central campus IT to develop departmental security practices that are in accordance with University policy, IT standards and IT guidelines by December 17, 2010.

Administrative Password

The IT administrative password for the power-user has not been changed in over a year. Information Technology Standards UNM Account Password Standard states: “All passwords should be changed every 180 days or sooner. All passwords to accounts that provide access to sensitive information should be changed every 90 days or sooner. All accounts with expired passwords should be locked.” Information Technology Standards UNM Account Password Standard also states that, “Poor password habits may impact the confidentiality, integrity and availability of University business systems and other sensitive electronic information.”

Recommendation 2

IT should develop procedures to ensure that administrative passwords are changed at least every 90 days.

Response from the IT Manager

We concur. Password change requirements should be role and risk-based. Gallup IT will develop and implement administrative system classifications that will, in turn, dictate the frequency of change and the complexity of system administrator passwords by December 17, 2010 (in conjunction with addressing Recommendation 1.)

Notification of Terminations

IT does not lock the accounts of terminated employees in a timely manner. They do not get notified when employees or students are terminated from their employment with the University. There is a place for IT to sign on the check-out form; however, this is not reliable, is not enforced, and often does not happen. UBP 2520 “Computer Security Controls and Guidelines” Sec 2.1.1 “System Access” states:

The department head or designee ensures proper management of computer accounts and user identification by:

- Terminating an account in a timely manner when an individual's affiliation with the University is terminated or completed...

A process has not been developed to automatically notify IT of employee terminations; therefore, IT is not locking the accounts of terminated employees in a timely manner. Users should only have the access required to perform their specific job duties. Additional access may result in unauthorized use of, disclosure of, modification to, and/or damage or loss to systems or data.

Recommendation 3

IT and the Gallup HR representative should work together to develop written policies and procedures to ensure terminated employee accounts are locked on a timely basis.

- Gallup HR should notify IT when an employee terminates;
- Gallup HR should send IT a report of terminated employees on a weekly basis to ensure IT has received notification of all terminated employees; and
- IT should immediately lock employee/student accounts upon termination.

Response from IT Manager and Gallup HR Representative

We concur. Gallup IT and HR will work with central campus IT and HR to develop and implement departmental security practices that address employee deprovisioning and are in accordance with University policy, IT standards and IT guidelines by December 17, 2010.

Maintaining Gallup Servers and Monitoring Server Logs

The IT Manager is the only IT employee with server knowledge, and the experience to maintain the servers. The IT Manager does not have the time to monitor the server logs for unusual activity. There is no designated back-up for this critical IT position. In addition, there are a lack of resources for server maintenance and monitoring server logs.

UBP 2520 “Computer Security Controls and Guidelines” Sec 2.2 “System Protection” states:

Department heads are responsible for protecting the systems under their control from system intrusion, compromise, or data loss.

Without adequate monitoring, information may be accessed or modified which may result in corruption of database objects, or loss or modification of sensitive data.

Recommendation 4

The Executive Director should ensure IT has the resources to:

- Maintain the servers;
- Monitor the server logs; and
- Provide back-up personnel for server functions.

Response from the IT Manager and Executive Director

We concur. Gallup IT will develop departmental security practices that address server maintenance and syslog retention and are in accordance with University policy, IT standards and IT guidelines by December 17, 2010. Gallup IT will work with the Executive Director to address resource issues by December 17, 2010.

Firewalls

North Campus and Zuni Campus computers are not protected by a firewall. They do not have the funding for cabling and equipment. UBP 2520 “Computer Security Controls and Guidelines” Section 2 “Security Practices” states:

Department heads are responsible for computer security awareness and for ensuring reasonable protection of departmental computing systems against breaches of security, through methods such as virus protection, firewalls, and password usage.

UBP 2520 “Computer Security Controls and Guidelines” Section 2.2 “System Protection” states:

Department heads are responsible for protecting the systems under their control from system intrusion, compromise, or data loss.

Lack of adequate and consistent security administration procedures may result in unauthorized use of, disclosure of, modification to, and/or damage or loss to systems or data.

Recommendation 5

North Campus and Zuni Campus computers should be protected through the use of a firewall.

Response from the IT Manager and Executive Director

We concur. Gallup IT will work with central campus IT to develop a plan to provide firewall protection for North Campus and Zuni by December 17, 2010.

Physical Security

Gallup employees have access to the keys to the server room, the IT equipment closets, and the IT shop. Access to these areas should be extremely limited and controlled. IT has been unable to get key control of the server room. Control Objectives for Information and Related Technology (COBIT) DS12.1 Physical Security best practices recommendation states:

Physical security and access controls should address not only the area containing system hardware, but also locations of wiring used to connect elements of the system, supporting services (such as electric power), backup media and any other elements required for the system's operation. Access should be restricted to individuals who have been authorized to gain such access. Where IT resources are located in public areas, they should be appropriately protected to prevent or deter loss or damage from theft or vandalism.

There is a risk that University data is not protected, because the server room has uncontrolled access.

Recommendation 6

Management should develop, document, and maintain adequate physical security of IT equipment, including: the IT server room, IT equipment rooms, and the IT shop. This may be accomplished by keys, alarms, and/or electronic key card security systems.

Response from the IT Manager and Executive Director

We concur. Gallup PPD and IT will work with central campus PPD and IT to develop a plan to provide adequate physical security of IT equipment by December 17, 2010.

Data Loss Protection

IT does not store computer system back-ups off-site. In addition, management does not have an IT Disaster Recovery Plan or IT Business Continuity Plan.

UBP 2520 “Computer Security Controls and Guidelines” Section 2.2.4. “Data Loss Protection” states:

Department heads or designees are responsible for developing, maintaining and executing backup, off-site storage and disaster recovery procedures for computerized University information.

This is recommended by the COBIT Framework, used for IT guidance. The section, *High – Level Objective*, in COBIT states:

Control over the IT process of ensuring continuous service that satisfies the business requirement to make sure IT services are available as required and to ensure a minimum business impact in the event of a major disruption is enabled by having an operational and tested IT continuity plan and its related business requirements.

Without regular off-site computer system back up, the Gallup campus may not be able to recover critical systems and data in the event of a disaster. In addition, lack of a systems failure plan will cause in delays in restoring service to the University community, resulting in additional costs and unwanted publicity.

Recommendation 7

IT management should find an appropriate off-site storage facility for computer system back-ups.

Response from the IT Manager

We concur. Gallup IT will work with central IT to develop a plan for appropriate off-site backup by December 17, 2010.

Recommendation 8

IT management needs to develop an IT Disaster Recovery Plan, and an IT Business Continuity Plan.

Response from the IT Manager

We concur. Gallup IT will work with central IT to develop an appropriate IT Disaster Recovery Plan and IT Business Continuity Plan that is in line with the general central campus and the Gallup branch campus Business Continuity Plan by June 1, 2011.

STUDENT FINANCIAL AID

Using Estimates to Calculate Student Financial Aid

In two student financial aid (SFA) situations, car repair estimates were used in the computations to determine the student's financial aid. There is no appropriate paperwork to support that the car repairs were completed.

In a meeting with the Main Campus Director of SFA, it was agreed that an estimate should not have been used, and that the employees needed to be reminded that they must have an original receipt for work performed.

Due to our limited audit, we did not expand our review; however, there is a risk that the SFA for other students in Gallup might have been increased for non-incurred expenses.

Recommendation 9

The Director of Gallup Student Services should send information out, or provide training to the employees, so that they understand that they cannot use estimates in computing SFA.

Resolution

Pursuant to our verbal recommendation, Gallup employees attended training conducted by the Main Campus SFA on October 9 and November 4, 2009.

Recommendation 10

The Main Campus Director of SFA should re-calculate the SFA awarded to determine if monies are due back from the students.

Resolution

The Main Campus Director of SFA reversed the aid from 2006-2007 that the student received based on non-incurred expenses.

Recommendation 11

The Main Campus Director of SFA should evaluate if the University needs to self-report the situation to the U. S. Department of Education.

Resolution

The Main Campus Director of SFA self-reported the situation to the U.S. Department of Education Office of the Inspector General on December 15, 2009.

FINANCIAL SERVICES

Possible False Travel Vouchers

It appears that an employee was reimbursed for travel expenses in four situations where the information submitted for the reimbursement was false. Pursuant to the University Board of Regents' Policy, Section 7.2:

The Internal Audit Department will coordinate investigation of suspected fraudulent activities within the University. If the investigation reveals possible fraudulent activity has occurred, Internal Audit will ask University Counsel to render an opinion as to whether the audit findings indicate that illegal activity may have occurred. If, in University Counsel's opinion, illegal activities may have occurred, Internal Audit will notify the President of the University, the cognizant vice president, UNM Risk Management, and the appropriate law enforcement agency.

According to University Counsel, the conduct of the employee may have violated state criminal law. Internal Audit forwarded the information to the University Police Department and the New Mexico Office of the State Auditor.

Recommendation 12

The Executive Director should request the former employee repay the University for the monies taken for travel expenses that were not incurred for the purposes stated on the travel vouchers.

Response from the Executive Director

We concur with this recommendation and will request reimbursement from the former employee for non incurred travel expenses by March 1, 2010.

Checking Account

Gallup Financial Services has an \$8,000 petty cash checking account. They have \$4,250 in cash drawers, and an additional \$3,750 in the bank as surplus if needed. The University should keep the petty cash fund as small as possible so that they may earn interest income on available cash. In addition, closing the checking account will save staff time in writing checks and preparing monthly reconciliations.

Recommendation 13

The Gallup Director of Business Operations should close the local checking account and work with Financial Services at Main Campus to return surplus funds.

Response from the Gallup Director of Business Operations

We concur with this recommendation. The Bank Account was closed on December 1, 2009. We will work with Financial Services at Main Campus to close out the Petty Cash bank account by January 31, 2010. We will still have the \$4,250 in cash drawers and \$250 in Petty Cash "cash".

Proper Documentation

Financial Services is approving expenses without receiving or reviewing the original expense documentation. Prior to approving an expense, the reviewer should ensure that they have an original receipt, that it is reasonable, and appears legitimate. The individual departments at the Gallup Campus send the original source documentation directly to Main Campus. There are no internal written policies and/or guidelines to handle it differently. The Financial Services employees could be approving expenses that are not legitimate.

In a review of an employee's travel expenses, we noted that there was an occasion where the travel reimbursement was not correct. The travel voucher was not correct in that it under reimbursed the employee \$128.63. However, on that same travel voucher, the employee upgraded the room (at an additional charge of \$43.60 per night, for a total amount of \$218). The employee explained the reason for the upgrade; we investigated the reason and found that it was untrue. Therefore, the employee owes the University \$89.37. The employee is no longer with the University.

UBP 4030 "Travel" Section 9.2.1. "Conference Meals and Lodging" states, "Reimbursement for conference lodging costs which exceed the cost of lodging as advertised for the convention must be explained." General Accounting at UNM Main Campus stated that the employee who reviewed the travel reimbursement was "in training," and is no longer working in the department. In addition, Gallup Financial Services did not have the proper documentation to review the reimbursement submission.

Recommendation 14

The Director of Business Operations should develop a written policy and procedures for all original source documentation to be routed through Gallup Financial Services for review and internal approval prior to being mailed to Main Campus.

Resolution

The Director of Business Operations sent an email to the campus notifying the employees of the new policy and procedures for Processing Documents Requiring Banner Approval, which was effective November 30, 2009. The policy requires that all documents must be submitted to the Gallup Business Office for review. After review, the documents will be mailed once a week to Main Campus.

Recommendation 15

The Executive Director should request the former employee repay the University for the upgraded room charges.

Response from the Director of Gallup Student Services

We concur with this recommendation and will request reimbursement from the former employee for upgraded room charges upon verification of amount owed by January 31, 2010.

GENERAL

Banner Course

During the transition to Banner in 2006, the Gallup Registrar's Office mistakenly changed the grading mode for a class from Remedial Credit/No Credit to Remedial Standard grade mode. The Gallup Registrar's Office made the error, and no one at Gallup identified it for correction. Pursuant to the Gallup and Main Campus Registrar's Offices, these types of errors are usually identified by faculty or by the departments.

The 2006-2008 UNM-Gallup Catalogue, which is posted on the Gallup website states that 099 Recreation "Grades on a Credit/No Credit basis only." Because of the error, the grade point averages for students might have been inflated. This incorrect grade designation was not the intent when the class was initially created.

Recommendation 16

The Director of Gallup Student Services should research why the department or instructor did not identify the error, and take corrective action as needed.

Response from the Director of Gallup Student Services

We concur with this recommendation. The instructor did note that the grading mode had changed but incorrectly assumed the Gallup Campus Registrar was aware of the change and had approved the change. Beginning with spring 2010, (by February 1) an email will be sent out to all instructors of record as well as all faculty orientations will include instructions to all faculty that any such questions should be immediately referred to the office of the Registrar for clarification and correction.

Opportunities for Fiscal Savings

In our review of the allegations, we reviewed the expenses for two employees and noted areas management should evaluate in the future for cost savings potential. We found the following:

- Two employees often travel together to Albuquerque when it appears that one person could handle the assignment (examples are trips to pick up recruitment supplies; popcorn popper and supplies; and/or take files to storage). The additional cost to the University includes paying a second meal per diem and hotel cost (if overnight), and additional time lost from work/productivity;
- Employee did not make hotel reservations for a conference through the conference organization, and therefore paid an additional \$70 per night (for six nights, \$420);
- Employee stayed at a hotel in Albuquerque that cost the University \$169.07 for one night;
- Employee attended a Student Financial Aid meeting on August 15, 2009, and had meetings with a graphics company for recruitment and picking up recruitment materials on August 16, 2009. Perhaps the meetings could have been scheduled on the same day to save overnight hotel cost;
- Employee traveled to pick up parking permits on Main Campus, when there was no other purpose for the trip. Parking Services stated that normally the permits are picked up; however, Gallup could have made arrangements to have them mailed. It cost \$88.32 in mileage and \$12.25 in meals, for a total of \$100.57, in addition to the time off work/lost productivity;
- Employee picked up recruitment supplies on two separate occasions. Both times, the employee submitted reimbursement forms for \$100.57 (\$12.25 in meals and \$88.32 in gas). On one trip, the employee picked up \$218.22 in supplies. In addition to the reimbursement costs, there was time off work/lost productivity – for a limited amount of supplies;
- Employee came to Albuquerque for supplies on November 4, 2008, and returned on November 5, 2008, to attend Student Financial Aid meetings and training from November 5, 2008 to November 7, 2008. The employee stayed in Albuquerque another night to pick up recruitment supplies on November 8, 2008, when these trips could likely have been consolidated;
- Employee attended a 2008 Federal Student Aid Conference held in Las Vegas, Nevada. Employee booked and reserved the rooms at the conference rate of \$128.62 per night (including tax and fees), drove to the conference, and was reimbursed for 439 miles each way. The conference agenda showed that the conference ended on December 5, 2008 at 12:15pm. In this reimbursement, the University paid the employee \$219 for another night in the hotel and another full day of meals (\$155.65 hotel and \$64.00 for meals). Since the estimated time to drive the miles was 6 hours and 33 minutes, the employee could have considered driving home that afternoon (1:00 pm to 7:30 pm) to save the University over \$200.

Before approving the expenses, management should consider the necessity of the expense and communicate their expectations to the employees. It is unclear when an overnight stay in Albuquerque is necessary, authorized, and/or reasonable.

Recommendation 17

The Gallup Executive Director should consider developing travel policies/procedures for travel to and from Main Campus. Some issues to consider are:

- Pre-approval of travel itinerary with business purpose;
- Criteria for when an overnight stay is approved; and/or
- Maximum allowable hotel costs.

Response from the Executive Director

We concur with this recommendation. The Director of Business Operations will develop travel policies and procedures for travel to and from Albuquerque by February 1, 2010.

We recently implemented travel practices that include oversight mechanisms prior to authorization for travel reimbursement, promoting car pooling, and encouraging use of conference calls and video conferencing to reduce travel expenditures.

CAMPUS-WIDE RECOMMENDATIONS

Course Policy

An employee took three one-credit courses during work time. She made up the time for two of the courses. She is scheduled to take another one-credit course in November 2009. It is unclear if the employee needs to make up the time.

UBP 3700 "Education Benefits" Section 3.2. "Time Off" states, "supervisors may allow an employee to take up to one (1) course per semester using time off with pay. . ." The UNM Policy Manager stated that it was her interpretation that the tuition remission policy enables the employee to use their tuition remission benefit to take one course per semester, but does not limit the employee to one course. The Vice President for Human Resources stated that the policy allows the semester equivalent of a three hour course for non-exempt employees, and that the time should not exceed 45 hours for the entire semester.

The policy states that the supervisor may allow an employee to take up to one course per semester; therefore, pursuant to policy, the employee cannot take two one-credit courses even though it would require less time away from work than one three-credit course. Because the policy is not clear, it is inconsistently administered.

Recommendation 18

The Vice President for Human Resources should work with the Policy Manager to clarify the tuition remission policy.

Response from the Vice President for Human Resources

The Division of Human Resources will work with the Policy Manager to clarify University Business Policy 3700, Education Benefits. A campus-wide communication will be issued no later than February 26, 2010 explaining the current policy.

Exempt Leave Policy

Gallup does not have specific policies requiring exempt employees to take leave; therefore, the Executive Director stated that in the absence of a definitive policy, they follow Federal law regarding exempt employees. The Executive Director stated:

Consistent with UNM policies, exempt employees are expected to work whatever hours are necessary to accomplish the goals of their exempt position. Thus, they have more flexibility in their schedules to accomplish work than non-exempt or hourly employees and are “exempt” from certain Federal wage and hour laws that would otherwise apply to non-exempt employees. UNM exempt employees are expected to meet the operational needs of the branch, and are evaluated on results achieved. Since exempt employees do not accrue compensatory time, requiring exempt employees to take leave if they work less than an (8) hour work day, but not compensating them if they exceed putting in more than eight (8) hours in a day appears inconsistent.

At Gallup, an exempt employee is not required to take leave if they report for work and leave prior to completing 8 hours of work. However, if an exempt employee does not report for work at all, they are required to take leave.

We understand that some areas at UNM have written policy that an exempt employee does not take leave if they work at least four hours in a day. In the Internal Audit Department, the exempt employees take leave if they are absent from work for over 15 minutes.

UBP 3200 “Employee Classification” Section 2.1 “Exempt Employees” states, “Exempt employees are salaried employees and are paid on the monthly payroll and are exempt from the minimum wage and overtime provisions of the Fair Labor Standards Act. Exempt employee positions include such positions as directors, managers, and professional staff, such as engineers, attorneys, and physicians.”

UBP 3305 “Overtime” Section 4. “Overtime Pay” states, “Exempt employees do not receive overtime pay.”

UBP 3310 “Compensatory Time” Section 3 “Exempt Employees” states, “Under the Fair Labor Standards Act, exempt employees are paid a regular salary and are not paid based on the number of hours worked. Exempt employees are hired to get the job done and at times may need to work beyond their usual schedule. Exempt employees are given the flexibility to exercise judgment both in how and when the work is done. A greater emphasis is placed on meeting the responsibilities of the position, rather than on working a specific number of hours. They are expected to meet operational needs and are evaluated on results achieved. Therefore, exempt employees do not accrue compensatory time.”

Leave is handled and taken inconsistently between University departments. The University does not have written policy to specify when an exempt employee should take leave; therefore, there is no clear interpretation.

Recommendation 19

The Vice President for Human Resources should work with the Policy Manager to clarify when exempt employees should take annual and sick leave.

Response from the Vice President for Human Resources

The Division of Human Resources will work with the Policy Manager to clarify University Business Policies that deal with exempt leave. If it is determined that existing policies adequately describe UNM practices, then a campus-wide communication will be issued no later than February 26, 2010. If policies need to be modified, a draft will be developed and sent for comment no later than April 2, 2010.

PHYSICAL PLANT DEPARTMENT (PPD)

Personal Use of UNM Equipment

PPD has a system where they check-out University equipment (vacuum cleaners, shampooers, tables, chairs, saws, etc) to all Gallup employees. There is a risk to the University that the equipment may be damaged, lost, or stolen while off-campus for personal employee use. UBP 7710 “Property Management and Control” Section 1 “General” states, “University property and resources may be used only for University business.”

Recommendation 20

PPD management should discontinue checking-out/allowing employees to use University property and equipment for personal use.

Resolution

Immediately after the interview between Internal Audit staff and the PPD Manager, the PPD Manager directed that PPD discontinue the “loaning, checking out, or borrowing of any and all University property, both internally and externally.” In addition, the policy has been included in the PPD Guidelines and Cleaning Standards Manual that was updated and handed out to every PPD employee. Also, the Executive Director sent an email, on October 29, 2009, to all employees quoting the policy stating that University property and resources may only be used for University business.

Personal Purchases of Supplies

PPD employees are purchasing supplies with their own money. There are delays in PPD purchases, and some employees think there is too much paperwork to get anything done. Therefore, PPD employees are sometimes spending their own money for legitimate University expenses.

Recommendation 21

PPD management should evaluate setting up a requisition system for employees to request goods/supplies/maintenance items (could be low, medium, and high priority – with the requests handled to meet the needs of the employees and PPD).

Resolution

During the course of the audit, PPD set up a three-tier purchasing system, developed and posted the written procedures, and modified the requisition form. In addition, the policy has been included in the PPD Guidelines and Cleaning Standards Manual that was updated and handed out to every PPD employee.

Safety Issues

A number of PPD employees were concerned about inadequate safety procedures at Gallup, including:

- Cleaning the air conditioner without a mask, suit, goggles, and/or gloves. One employee believes that management did not care what happened to him;
- Using chemical cleaning supplies, including toilet bowl cleaner, floor cleaners, and graffiti remover spray, and the possible risk and dangers involved; and
- Cleaning in an area with bio-hazard chemicals without the required specialized training.

The University should provide a safe work environment, and provide the training and assurance that their safety needs are being met. UBP 6610 “Safety, Health, and Environmental Affairs

(SHEA)” Section 2 “Campus Wide Responsibility” states, “Deans, directors, department heads, and other supervisors should be aware of the health and safety needs of their employees and customers. Departments should work with SHEA and the Risk Management Department to carry out all preventive and corrective measures necessary to minimize hazards.”

Recommendation 22

PPD management should contact Safety Risk Services on Main Campus, and work with them to carry out all preventative and corrective measures necessary to minimize hazards.

Resolution

During the course of the audit, Gallup PPD arranged for SHEA to conduct respirator training; required and tracked mandatory online Basic Safety, Fire Prevention, and Bloodborne Pathogen training for employees; and emphasized the importance of “SAFETY FIRST” in the PPD Guidelines and Cleaning Standards Manual that was updated and handed out to every PPD employee.

Personnel Issues and Concerns

Several PPD employees felt that Native Americans are treated differently than Hispanics. They stated that the Native American employees are given more work and are allowed to take longer breaks, walk around, etc. One employee felt she was denied opportunity for overtime for snow removal because she is a woman. At the time of our visit, we recommended that these employees contact the Office of Equal Opportunity, and gave the employees the contact information. There were other personnel concerns, including employees feeling that management had issues with disrespect, confidentiality, preferential treatment, and public criticism.

In the University’s Strategic Framework, one of the core values is “Respectful Relationships that build trust, inspire collaboration, and ensure the teamwork that is essential to UNM’s success.” It is important to treat employees with respect to create a positive and productive work environment. The PPD Manager stated that he is “eager and willing to pursue additional management training to enhance his management skills.”

Recommendation 23

PPD management should attend HR management training to refine their management and team building skills.

Resolution

During the course of the audit, the Executive Director has worked with Employee Organizational Development to schedule management leadership classes to be taught at Gallup (starting in December and continuing through the Spring semester).

Possible Contract Violation

Several PPD employees were concerned that although they had seniority, they were not called to work overtime for snow removal. PPD management had a sign up sheet for PPD employees to use if they were interested in working overtime to remove snow when necessary. It is not clear whether all employees knew when and where this sign up sheet was posted. They did not call employees in the order of seniority to work the overtime hours. Neither the supervisor nor the temporary custodial supervisor had seen, or were aware of, the applicable Union agreement/contract.

Pursuant to the Agreement Between the Communications Workers of America and the University of New Mexico Maintenance & Operations and Clerical/Technical Units, effective July 1, 2007 through June 30, 2010 (Union Agreement), Article 8, Overtime, “When it becomes necessary to work overtime, employees shall be offered overtime work within their job title and work unit as designated by each department, first on the basis of seniority and then on the basis of the least number of overtime hours credited to each employee.”

During the course of the audit, the PPD Manager updated the PPD manual to ensure that it complied with the Union agreement, gave a copy of the Union agreement to the supervisor and employees, and implemented a form based on seniority for employees to sign when overtime work is required.

Recommendation 24

PPD management should consult with the Employee Relations Director to determine if further action is required.

Resolution

PPD Management consulted with the Employee Relations Director on December 15, 2009 to determine if further action is required.

Internal Controls

PPD uses a perpetual inventory system for their janitorial operations, but not for their maintenance operations. For the maintenance operations, management has not:

- Taken a beginning inventory;
- Required that all purchases be recorded and safeguarded immediately;
- Kept the inventory locked at all times;
- Required appropriate paperwork before releasing inventory from the secured location; and
- Counted and reconciled the inventory on an annual basis.

It is important to safeguard University assets. If not, there is the possibility of loss (without knowledge) of University assets, because PPD is not using the inventory system.

Recommendation 25

PPD management should implement the inventory system for all areas (including a good beginning count, procedures to ensure that all purchases are recorded and stored into the secured areas, requisitioning materials as they are needed for University work, and keeping the areas locked and secured).

Resolution

During the course of the audit, we verified that PPD had written procedures, secured areas, and full inventory counts and records for both custodial and maintenance.

Disposition of Leftover/Surplus Supplies

There are no written policies and/or procedures for disposing of leftover or surplus supplies from a contracted job for the University. Because there is no policy, employees and management have been allowed to take surplus items home. Any surplus goods belong either to the supplier, contractor or the University, not to the University employees. Therefore, the leftover items should be disposed of in a manner consistent with all University assets (either added to the inventory or disposed of through Surplus).

Recommendation 26

PPD should establish policy that prohibits employees to take home leftover and/or surplus supplies. Employees should never take home leftover or surplus supplies. If supplies are leftover, PPD should use them, properly dispose of them (through either surplus property or trash/recycling), and/or send them back to the supplier.

Resolution

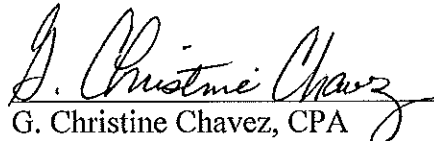
During the course of the audit, we verified that PPD had updated the PPD manual to state that employees are prohibited from taking leftover surplus supplies home, and all University property must be disposed of through surplus property, trash/recycling, or removal by the suppliers after the job is completed.

CONCLUSION

We reviewed the operations with the outlook of improving controls to eliminate future allegations and concerns. We made recommendations to improve the internal controls, policies and procedures, and training in the areas of Information Technology, Student Financial Aid, Financial Services, and the Physical Plant Department. Our goal was to: address the concerns identified in this report, improve accountability, and strengthen internal controls. As indicated in this report, the Physical Plant Department has addressed most of the concerns that we had prior to the conclusion of the audit.

During the course of our testing, we received excellent cooperation and assistance from the Main Campus SFA Director, VP for HR, University Counsel, Labor Relations Director, Gallup Executive Director, Gallup Manager of Physical Plant and Facilities, Gallup Director of Business Operations, Gallup Manager of Information Services, and Gallup Director of Student Services. We very much appreciate the courtesy extended to our personnel. Many of the concerns were resolved prior to the conclusion of the audit.

APPROVALS


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Approved for Publication


Chair, Audit Committee