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To: David Schmidly, President
From: J.E. "Gene" Gallegos, Chairman, Board of Regents' Audit Committee
Date: January 25, 2011
Re: Audit of Selected Payroll Processes, Report 2010-07

The Audit Committee approved *Audit of Selected Payroll Processes, Report 2010-07*, at the January Audit Committee meeting, directing your attention in particular to the following recommendations:

Audit Recommendation #1 - The EVP for Administration is requested to implement policies to end *special payroll exceptions* and the continual processing of off-cycle payrolls and adjustments.

The Audit Committee recommends to help reduce exceptions, the administration should implement initiatives to hold employees, supervisors and department heads accountable for avoidable delays that have resulted in off-cycle payrolls, in payments to terminated personnel and in omitting payment to new hires.

Audit Recommendation #2 - Payroll should develop a plan to communicate changes in policy to the UNM payroll community and provide guidance for departments to help ensure successful implementation of new policies. A communication campaign well in advance of the policy change will increase chances for successful implementation. Deans, directors, department chairs, and payroll timekeepers and approvers should be notified several months in advance of the transition through all means available, including updates on the PR and HR websites, emails, newsletters, and enhanced training.

The Audit Committee recommends a notification period of 60 – 90 days to communicate policy and procedure changes in Audit Recommendations 1 and 16 to the University community.

Audit Recommendation #7 - Management should explore the possibility of consolidating the EDCs, taking into account the costs, benefits, and implementation considerations.

The Audit Committee recommends a consolidation of the seven Employment Data Centers into three (3) centers as follows:

- 1. Human Resources – Staff Employees as one Employment Data Center*
- 2. Academic Affairs – Faculty Contracts, Office of Graduate Studies, and Student Employment hiring as one Employment Data Center*
- 3. HSC – School of Medicine Academic Affairs, School of Medicine Faculty Hiring and Contracts Office, and Graduate Medical Education hiring as one Employment Data Center.*

Audit Recommendation #16 - The Vice President for Finance and University Controller should explore the possibility of adopting a biweekly or semi-monthly payroll date for all University employees.

The Audit Committee recommends the University adopt semi-monthly payroll cycle for all non-faculty employees, retaining a monthly payroll cycle for faculty; there shall be only a single out of cycle payroll run for each corresponding payroll cycle. The recommended implementation date is July 1, 2011.

Audit Recommendation #17 - The EVP for Administration should expedite evaluation of alternative time entry methods and explore the possibility of implementing a University-wide system.

The Audit Committee acknowledged implementation of the automated time keeping system (Kronos) at the University Bookstore. The system is being placed on line at the Physical Plant working with the vendor to fully implement the Kronos system. The Audit Committee recommends a phased implementation of the automated time keeping system at other departments for efficient time reporting processes.



Gene Gallegos, Chairman, Board of Regents Audit Committee

cc: Carolyn Abeita, Vice Chair, Board of Regents Audit Committee
James Koch, Regent, Board of Regents' Audit Committee
David Harris, EVP for Administration
Paul B. Roth, Executive VP for Health Sciences, Dean SOM
Jeffrey Griffith, Executive Vice Dean, SOM
Helen Gonzales, VP, Human Resources
Ava Lovell, Vice President for Finance and University Controller
Suzanne Ortega, Provost/EVP for Academic Affairs
Richard Wood, President, Faculty Senate