PAYROLL PROCESS FOLLOW-UP AUDIT

THE UNIVERSITY OF NEW MEXICO

Report 2015-01
August 6, 2015

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ABBREVIATIONS

A/Y ................................accounts receivable
AY .................................. academic year
E-CLASS .................................. employment class
EDC ........................................ employment data center
EOD .......................................... employee and organizational development
EP AF ...................................... electronic personnel action form
ERP .......................................... enterprise resource planning
FTE ......................................... full-time equivalent
FY ........................................ Fiscal Year
GSA ........................................ Graduate Student Assistantship
HR .......................................... Department of Human Resources
HSC ......................................... Health Sciences Center
Internal Audit ......................... University of New Mexico Internal Audit Department
IT .......................................... Information Technology
NSP .......................................... Non Standard Payment
OEO .......................................... Office of Equal Opportunity
OFAS ...................................... Office of Faculty Affairs and Services
OGS .......................................... Office of Graduate Studies
P-Card ................................ Purchasing Card
Payroll .................................... UNM Payroll Department
SAC .......................................... Special Administrative Component
SOM .......................................... School of Medicine
SOM AA .................................. School of Medicine Academic Affairs
SOM FCO ................................ School of Medicine Faculty Contracts Office
STC .......................................... Special Teaching Component
TMS .......................................... Talent Management Suite
TPT .......................................... Temporary Part-Time
UBP .......................................... University Business Policies and Procedures Manual
University ................................ University of New Mexico
UNM ......................................... University of New Mexico
UNM HR .................................. University of New Mexico Human Resources
EXECUTIVE SUMMARY

In 2011, UNM Internal Audit issued Report 2010-07, Audit of Selected Payroll Processes. The 2010 report made recommendations to increase operational efficiencies in payroll and personnel processes, including:

- Paperless processing of faculty contract renewals
- Reduce off-cycle payroll adjustments
- Reduce the administrative burden on Payroll Department from adjustments and employee accounts receivable
- Consolidate the seven Employment Data Centers
- Improve efficiency in hiring Graduate Assistants
- Address delays in processing hiring paperwork, which in turn affects payroll processing

From 2011 to present, University core process departments have worked toward implementing changes in processes in response to recommendation in Report 2010-07.

Report 2015-01 is a follow up to the prior audit report and revisits some of the issues raised in the original report.

PAYROLL PROCESSING

Payroll Adjustments: Payroll adjustments are necessary when employee pay or leave must be corrected, amended, or changed. Adjustments generally originate in the departments throughout the University. There were 7,721 payroll adjustments in calendar year 2013, and 6,107 adjustments in calendar year 2014. The main causes of payroll adjustments in calendar year
2014 were late filing of paperwork by departments and routine adjustments. The Banner adjustment codes developed several years ago do not provide adequate detail to aggregate information about the nature and or cause of the adjustments. The 6,107 adjustments in 2014 were fairly evenly spread throughout departments at the University. Payroll adjustments are in addition to the normal payroll processing cycles that the Payroll Department processes to pay University employees. As a result, there is an administrative burden and inefficiencies associated with processing payroll adjustments.

**Employee Receivables** – Payroll overpayments can occur for a number of reasons:

- Incorrect pay rates or benefit deductions
- Cancelled classes where faculty received salary payments
- Lack of review/reconciliation of payroll at department level
- Delay in employee termination paperwork

University Policy requires establishment of an account receivable and employees must pay back the University for the overpayment. There is considerable administrative burden on the Payroll Department in tracking and resolving payroll overpayments. Each overpayment requires the employee be contacted, establishment of an account receivable, repayment arrangements by the employee, and corrections to the Educational Retirement Board reports.

The process of accounting for employee accounts receivable is labor intensive and requires considerable time to set up and account for individual employee receivables. Often, the amount of the employee receivable is not material and the cost of administering the receivable far exceeds the amount of the receivable.
Three objectives of the Talent Management Suite are:

- To provide a robust and comprehensive application tracking process to complement the ERP system for HR/Payroll at UNM
- To automate the onboarding process through landing pages, automated workflows, and offer letters that can be customized for different employee types
- To utilize the performance management module to create competencies and identify skills required for goal attainment

TALENT MANAGEMENT SUITE

The hiring platform for UNM is UNMJobs which employs underlying software that integrates with Banner. The University is in the process of changing the vendor and the underlying hiring software to the Talent Management system. A formal ERM Project has been approved by executive management. The project will accomplish three primary objectives and is scheduled for implementation in two phases. Phase 1 involves implementation of the hiring and on-boarding modules of the system and is scheduled for completion in January 2016. Phase 2 is the Performance Management module and is scheduled to be completed by June 2016.

The University currently provides guidance and instructions for hiring its various categories of employees through its online One Source portal. This information website should be updated for any changes to hiring procedures that result from implementation of the Talent Management System.

ELECTRONIC PERSONNEL ACTION FORMS

An Electronic Personnel Action Form (EPAF) allows users to process personnel actions electronically through automated changes to information on the appropriate forms in Banner. The use of EPAFs allows departments to process paperless personnel actions, thereby eliminating manual data entry into Banner.

If EPAF forms are not timely processed, there is a ripple effect through the system. A delay in processing a hiring EPAF could result in delays in employees being paid. A delay in processing termination EPAF could result in terminated employees receiving a paycheck, necessitating establishment of a receivable and collection action.
To address the late filing of EPAFs, UNM HR IT has developed an email notification system for EPAFs that tracks EPAFs for UNM staff and alerts originators and approvers in affected departments on the status and outcomes at each stage of the EPAF process.

The Office of Faculty Affairs and Services is in the process of transitioning away from manual processes toward automated processes.

Late filed paperwork is measured by the difference of average days lapsed between the EPAF apply date and the personnel date it becomes effective in Banner. The EPAF apply date is when the EPAF was created by the department and submitted to the appropriate queues for approval. The personnel date is the official date in Banner when the job or job changes should have occurred.

**Office of Faculty Affairs & Services**

Establishment of a contractual employment relationship with UNM occurs as the result of appointment to the UNM Faculty. Appointments are given effect by establishing faculty as UNM employees in Banner.

Under the prior contract renewal process (before July 2015), the renewal of contracts was not automated but relied on generating hard copies of faculty contracts, manually inputting the data into Banner, and maintaining separate copies of the Banner data in a database in OFAS. The entire process of creating a second database file is a time and labor intensive manual process performed by OFAS staff.

With new processes implemented as of June 30, 2015, faculty contract renewals will be facilitated via an online paperless process. OFAS is actively working to create Banner employment data entry tools that will allow academic units to automate all changes and eliminate the need for paper contracts. At that point, OFAS staff will continue to provide a verification and approval role but not a data entry role.

In addition to transitioning to a paperless contract renewal process, OFAS has several automation goals it is working towards, including:

- Automating department processes for entering faculty appointment data
University core offices have made strides toward automation and improvement in efficiency of processes in the following areas:

- The total number of payroll adjustments is decreasing
- Documentation and standardization of hiring processes through One Source website
- Elimination of paper processing of faculty contract renewals
- Automation of hiring processes at Office of Graduate Studies
- Automation of hiring processes through the use of EPAF's

- Educating faculty about the nature of continuing faculty appointments
- Ensuring that faculty have simple, timely online means to monitor changes in appointment status and compensation
- Ensuring that an appeals process is developed in the event faculty disagree with their Banner data
- Establishing other means of confirming promotions and grants of leaves
- Generating official employment verification letters

CONCLUSION

There are several employment and payroll related processes that are currently in a state of transition, are newly implemented, or are scheduled for implementation with the Fall 2015 semester. Many of these transitional processes result from recommendations from the prior payroll audit report. The following are recommendations noted in the report, aimed at facilitating progress and efficiency with payroll and related employment processes.

**Key Recommendations**

1. The University Controller’s Office should: a) Revise the adjustment codes to determine causes of the adjustments in order to clarify the causes, conditions, and responsible parties creating the adjustments.

   b) Develop a mechanism to notify departments of their adjustments and corrective action needed.

2. The Controller’s Office should develop mandatory training on business
practices, required processes, and meeting deadlines, targeted for department chairs and payroll approvers, department administrators, and payroll personnel.

3. The Controller's Office should consider charging an administrative fee to departments that submit late EPAFs or other employment documents, as well as for causing unnecessary payroll adjustments.

4. The Controller’s Office should work with the UNM Policy Office and University General Counsel to develop (or amend) a policy to allow de minimus write-offs.

5. The Controller’s Office should research tracking of overpayments in the Banner Accounts Receivable module.

6. UNM HR should work with OFAS to assess the impact of new processes being implemented, especially Talent Management, on the hiring process instructions detailed in the One Source Information portal.

7. OFAS should work with UNM IT to adopt an EPAF notification system that allows EPAF originators and approvers to track the EPAF status and determine if any action needs to be taken on their behalf to process EPAFs in a timely manner.

8. OFAS should expedite the transition to automation of processes, and develop a timeline to coincide with implementation of Talent Management.
9. OFAS should work with the Payroll Department to integrate their new processes with payroll department processes, discuss issues and resolve potential problems with the rollout of the new systems.

10. HSC should work with UNM IT and UNM HR to further develop EPAF processes for employment transactions that are not currently using EPAFs. Development of these EPAFs should be coordinated with the implementation of the Talent Management system in June 2016.
INTRODUCTION

BACKGROUND

On January 19, 2011, UNM Internal Audit issued Report 2010-07, Audit of Selected Payroll Processes. The report had 17 recommendations, with five departments tasked with the implementation of those prior recommendations: Human Resources, Payroll, Office of Faculty Affairs & Services, Provosts (EVPs), and the Policy Office. The report focused on the efficiency of operations, selected payroll processes, and certain hiring processes that affect payroll processing. Most of the recommendations were implemented (one recommendation was withdrawn) to varying degrees of success. This follow up audit of the selected payroll processes revisits the issues and audit findings in the prior audit and focuses on those areas that were not completely resolved or that are still experiencing inefficiencies. Internal Audit reviewed the prior recommendations that adequately addressed the audit findings. Broadly, the 17 recommendations were aimed toward reducing administrative burden, and improving efficiency in hiring practices and payroll processing. The recommendations included the following:

- Streamline faculty contract paper processing and move toward automation of processes
- Reduce occurrences of off-cycle payroll adjustments
- Improve efficiency and reduce the administrative burden on the Payroll Department
- Consolidate the seven Employment Data Centers, and where possible, standardize hiring procedures
- Improve communication of processes to the UNM business operations community
- Reduce errors and late paperwork processing that result in employee accounts receivable
- Improve efficiency and reduce late paperwork processing in graduate assistantship hiring

Implementation of recommendations from Report 2010-07 was conducted over the span of many months and core office stakeholders spent many months meeting and developing new processes, procedures, and policies in response to the audit. Many of the recommendations were assigned to key individuals and executives that are no longer at the University or are now in different positions at the University. Unfortunately, these key individuals left their positions before fully implementing the corrective actions or developing processes for enforcement of new initiatives or policies. Some of the key processes that have been implemented include:

- One Source Portal – Hiring guidance for all types of University employees
- Electronic Personnel Action Forms – Automated forms for processing new hires, personnel changes, and other employment transactions
OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

- Revision of Policy 2000 "Responsibility and Accountability for University Information and Transactions"
- Executive directives aimed at providing administrative support for enforcement of Policy 2000 "Responsibility and Accountability for University Information and Transactions"
- Revision of Policy 2680 "Payroll Overpayments and Collections"
- Planned and ongoing implementation of processes aimed at improving efficiency and effectiveness
  - OFAS transitioned from processing hardcopy faculty contract renewal toward a paperless online process, which was implemented in July 2015
  - The Office of Graduate Studies is transitioning from processing hardcopy graduate assistant contracts toward a paperless online hiring process, starting in fall 2015
  - UNM HR IT is implementing an EAPF tracking system and email notification system for UNM staff employment transactions, starting in fall 2015

PURPOSE, SCOPE AND OBJECTIVES

The audit was selected as part of the 2014-2015 UNM Internal Audit annual risk-based audit plan. The audit focuses on the following areas:

- Certain Payroll Department processes
  - Off-cycle payroll adjustments
  - Employee accounts receivable
- Electronic Personnel Action Form (EAPF) transactions
- Contract renewal processes within the Office of Faculty Affairs and Services (OFAS)
- HSC Faculty Contracts Office and SOM Office of Academic Affairs
- Hiring of graduate assistants in Office of Graduate Studies

PROCEDURES

Internal Audit reviewed the 2010-07 payroll processes audit to determine what issues from the prior audit were unresolved and/or required further attention. Internal Audit documented the overall processes from OFAS, Office of Graduate Studies, HSC Faculty Contracts Office, the SOM Office of Academic Affairs, and the Payroll Department. Internal Audit tested a sample of payroll payment transactions, and also conducted analyses on off-cycle payroll adjustments, accounts receivable, faculty hiring processes, and the EAPF transaction process.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

PAYROLL PROCESSING

Total Employees at UNM

As of December 2014, the University of New Mexico had a total of 18,974 employees, not including UNM Hospitals or Medical Group (see graph below). University staff (exempt and non-exempt) make up approximately 48% of the employees, while faculty is approximately 21% of employees, and students (undergraduate, graduate, and resident physicians) are approximately 31% of total employees.

Total UNM Employees by Type of Employee

- Undergraduate Students, 3,655
- Graduate Students, 2,297
- Faculty, 4,325
- Exempt Staff, 2,909
- Non-Exempt Staff, 4,421
- Resident Physicians, 783
- Retired Employees, 584

Source: UNM HR IT

Payroll Processing

The Payroll Department processes and distributes salary and wage payments to approximately 19,000 faculty, staff and student employees. Some of the additional responsibilities include withholding and remitting employment taxes to the Internal Revenue Service and the State of
New Mexico, preparing employment tax reports, and reporting year-end tax information. Payroll is also responsible for: nonresident alien tax status evaluation; tax treaty compliance; insurance vendor payments; tax deferred annuity enrollment; retirement reporting; enrollment for U.S. Savings Bonds; and, servicing third party garnishments.

Payroll employs a total of 18 employees and reports to the University Controller. For calendar year 2014, Payroll processed a total of 245,359 payments: 239,472 original payrolls; and 5,887 voided, adjusted, reissued and manual payments (includes approximately 1,200 automated adjustments). The total gross payroll for calendar year 2014 was $677.5 million.

University-wide department time entry is the process where departmental timekeepers enter timesheet data for the group of employees within their department. The process provides an electronic means to enter, approve, and submit timesheets to the Payroll Department. There are two broad categories for payroll processing of most UNM employees: monthly employees and bi-weekly employees.

Monthly Employees – Monthly employees are exempt employees, generally not subject to the pay and labor provisions of the Fair Labor Standards Act. For monthly employees, timekeepers for each department enter exception time (annual and sick leave) for each exempt employee and faculty member into the Banner system. Exception time must be entered no later than the 20th of the following month, and must be entered for every employee who took leave for the month in question. Monthly employees generally include exempt staff, graduate students, student advisors, dad advisors, and faculty.

Bi-weekly Employees – Bi-weekly employees are non-exempt employees. Bi-weekly timekeeping procedures include submission of bi-weekly timesheets, approval of timesheets, late submission of timesheets, and proper segregation of duties. Typically, bi-weekly payroll runs the Monday after the pay period ends. If the timesheet is submitted late, the employee will be paid within two business days.

Student Employees – Student employee timekeeping procedures are very similar to bi-weekly timekeeping procedures. The procedures include submission of bi-weekly timesheets, approval of timesheets, late submission of timesheets, and proper segregation of duties. While classes are in-session, students are allowed to work 20 - 30 hours per week. When classes are not in session, students can work up to 40 hours per week.

Payroll Time Approval

Authorized administrators electronically approve the departmental time reports entered into the HR Banner System before submitting for payment. The electronic approval must take place before the published deadline. Depending on the number of internal time sheets submitted, the authorized administrator may not be able to conduct a full reconciliation of the electronic time report to each internal time sheet before the electronic approval deadline. In such cases, the approver should review the electronic time report for reasonableness, electronically approve
the electronic time report, and then conduct a full reconciliation of internal time sheets to the electronic time report as soon as possible after approval, but no later than the next scheduled payroll deadline. All reconciliations must be signed by the administrator authorized to approve electronic time reports. If any corrections are needed, the authorized administrator must submit a request signed by the dean, director, or department head to the Payroll Department as soon as possible. The request must explain the correction needed and include a copy of the applicable internal time sheet.

### Bi-Weekly and Monthly Payroll Schedule

<table>
<thead>
<tr>
<th>Non-exempt (Bi-Weekly)</th>
<th>Time keyed and approved electronically by 5 pm on Monday following the close of the pay period.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exempt (Monthly)</td>
<td>Exception time keyed and approved electronically 20 days after close of the month.</td>
</tr>
<tr>
<td>Missed Deadlines</td>
<td>Can be completed after the final payroll runs (typically 2 days before pay day) and will pay 2 business days after completed. Emergency pay can be initiated through Payroll and paid by Accounts Payable at 75% of the prior net pay amount.</td>
</tr>
</tbody>
</table>

Source: UNM Payroll Department

### Payroll Adjustment Process

A payroll adjustment is necessary when an employee’s pay or leave must be corrected, amended, or changed. Adjustments generally originate in the departments throughout the University, although the Payroll Department will initiate adjustments as they deem necessary. Payroll adjustments occur for a variety of reasons, including but not limited to:

- Inconect reporting of hours worked
- Correction of shift pay differentials
- Changes in pay rate not reflected in previous pay period(s)
- Catch up payroll payments when hiring or other employment related documents are processed after end of appropriate pay period(s)

Adjustments submitted to the Payroll Department must include the following supporting documentation:

- A copy of the original timesheet (if applicable) with signatures by both the employee and their supervisor
- A department memorandum signed by the dean, director, or department head indicating the request for the adjustment and reason for the adjustment
- The completed adjustment form filled out in its entirety
Payroll adjustments can result from an overpayment or an underpayment, or because leave has been understated or overstated. If a payroll overpayment has occurred, the Payroll Department sets up an accounts receivable to collect the amount due from the employee's next paycheck. When an employee has been underpaid, then a determination will be made as to whether the amount is significant to the employee and if he/she can wait until the next payday to be paid. There is a two-day turnaround to process the check or direct deposit once the Payroll Department has been able to process the adjustment.

The Payroll Department processed 7,721 non-leave adjustment forms in calendar year 2013, and 6,107 in calendar year 2014. Each adjustment form must be reviewed by several staff members in the Payroll Department, to identify all areas that the adjustment will affect. Payroll adjustments are essentially payroll transactions occurring in a manual environment (contrasted with the automated payroll runs done monthly and bi-weekly).

Payroll has developed a standard report in MyReports that tracks all data entered into Banner from the adjustment forms, and this data forms the basis for our analysis of adjustments. The basis for the report is a code entered on the adjustment form and generally categorizes the adjustments as shown in Exhibit 1. The department making the adjustment is also required to fill out a more detailed description of the cause for adjustment on the form; however, these descriptions are non-standardized and are not captured by the reporting tool.

There were 6,107 adjustments in calendar year 2014. The adjustments are categorized by type of adjustment, by campus location where they occurred, and by main employment area where adjustment occurred. Internal Audit also performed an analysis of adjustments by department and by supervisor; however, the payroll adjustments were spread throughout all campuses and departments, with no significant trends by these categories.
The table below lists calendar year payroll adjustments by type of adjustment code.

<table>
<thead>
<tr>
<th>Adjustment Code Description</th>
<th>Number of Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late Paperwork - Department</td>
<td>1,695</td>
</tr>
<tr>
<td>Late Time Entry</td>
<td>246</td>
</tr>
<tr>
<td>Late Paperwork - EDC</td>
<td>213</td>
</tr>
<tr>
<td>Late Paperwork - Employee</td>
<td>494</td>
</tr>
<tr>
<td>Data Entry and Processing Errors</td>
<td>225</td>
</tr>
<tr>
<td>Routine procedures</td>
<td>1,450</td>
</tr>
<tr>
<td>Upload Process</td>
<td>1,141</td>
</tr>
<tr>
<td>Other</td>
<td>643</td>
</tr>
<tr>
<td>Total 2014 Adjustments</td>
<td>6,107</td>
</tr>
</tbody>
</table>

The largest numbers of adjustments are due to late paperwork submitted by UNM departments, followed by routine payroll procedures. Late paperwork submitted by departments occurs when certain documentation is missing or when there are department delays that prevent timely submission of the documentation. Routine adjustments are considered a business necessity, such as adjustments for deceased employees, leave payouts, or settlements. Late paperwork and routine procedures together resulted in approximately 52% of the total adjustments during calendar year 2014. There were 1,141 adjustments during the upload process. These are primarily due to changes in employee positions, changes in time tracking systems, and other HR-related changes. In order to gain a clearer picture of what is causing adjustments at the department level, these categories should be revised, expanded and more detailed.

The following graph illustrates payroll adjustments by type.
**Adjustments by Campus**
Of the 6,107 adjustments during calendar 2014, there were 3,521 (57.66%) for main campus employees, 2013 (32.96%) for Health Sciences Center employees, and 573 (9.38%) for the branch campuses.

![Total Payroll Adjustments by Campus](image)

Source: UNM MyReports

**Adjustments by E-Class**
The E-Class with the largest number of adjustments was staff employees with 2,682 (1,435 at main campus, 1,045 at HSC, and 202 at branch campuses). Faculty was next with a total of 2,064 (both full time and temporary part-time faculty), with 1,126 on main campus and 665 at the Health Sciences Center. Payroll adjustments for student employees were 1,011, with most of these (817) on main campus. Exhibit 2 presents a complete breakout of calendar year 2014 adjustments by E-Class, segregated by campus.

**Adjustments by Employment Area**
UNM employment areas include OFAS, HR, Health Sciences Center Faculty Contracts, Office of Graduate Students (OGS), Student Services, and Graduate Medical Education. The HR area (staff employee) was the area with largest number of adjustments in calendar year 2014, with 2,927 adjustments. The Office of Faculty Affairs and Services (OFAS main campus) had the next highest amount of adjustments with 1,399. The total 2014 calendar year adjustments broken out by individual employment areas are presented in Exhibit 3. The following graph shows adjustments in the main employment areas of HR (staff), Faculty (main campus and HSC), and students at the main campus, Health Sciences Center and the branch campuses. The “Other” category includes zero adjustments for main and branch campuses, and 105 adjustments for resident physicians at HSC.
Adjustments by Department Detail
Payroll adjustments appear to be spread out among all departments throughout campus. In calendar year 2014, there were 544 UNM departments that had payroll adjustments. Payroll adjustments are not concentrated in any one department, and there appeared to be no trends other than larger departments having more payroll adjustments. Although payroll adjustments are processed on a standard adjustment form and there are codes that categorize the adjustments by type, the exact nature and cause of all payroll adjustments is difficult to determine.

The current payroll adjustment codes were developed in response to the first payroll audit, and were a good first attempt at capturing data on what causes adjustments and the categories and types of adjustments occurring. However, during our analysis in this audit, shortcomings to the current methodology and descriptions became apparent. We were unable to pinpoint with any accuracy the exact nature of many of the categories of adjustments. In addition, on an aggregate basis, it was not possible with any degree of certainty to determine trends in the root cause of adjustment or to identify the department or responsible party for the adjustments.

The adjustment codes were developed several years ago and do not provide enough detail to accumulate useful information as to the nature and cause of the adjustments. Sometimes the codes are entered by in the UNM departments, sometimes by EDCs, and sometimes by the Payroll Department. Short of analyzing each department it is difficult to tell what the actual root causes of the adjustments are at the department level.
Although departments do fill out more complete descriptions for the causes of the adjustment, these are generally non-standard descriptions and are not easily categorized or classified in the reporting tool. Thus, at present, there is not a convenient way to aggregate or categorize this data for analysis purposes.

The brunt of the cost of processing off-cycle adjustments is assumed by the Payroll Department, where the processing of the adjustments ultimately culminates. With so many variables affecting the processing of off-cycle adjustments, it is difficult to calculate the cost. The approximately 6,000 adjustments per year, with a conservative estimate of 20 minutes per adjustment to enter, process, track and resolve each adjustment, equates to one full-time equivalent in the Payroll Department. The time spent on entering, processing, and resolving these payroll adjustments in departments throughout University payroll system is incalculable.

The following recommendations are aimed to incentivize departments experiencing adjustments toward more efficient payroll processing and reduction of payroll adjustments. Identification, classification and tracking of adjustments should be expanded and enhanced to better determine the root causes, and to establish responsibility for the payroll adjustments. Some payroll adjustments are necessary, and result from normal business or academic operations. These types of adjustments should be identified and tracked, in order to segregate them from adjustments resulting from error, late filing of payroll or hiring documents, or other avoidable causes of adjustments. To incentivize a reduction of adjustments, the Controller should consider an administrative fee charged to departments when avoidable adjustments occur.

Recommendation 1

The University Controller’s Office should revise the adjustment code forms and explanations of the causes of the adjustments to clarify the causes, conditions, and responsible parties creating the adjustments, including tracking mechanisms to accumulate data that can be used to develop corrective actions. Metrics developed should:

- Tie adjustments to EAPF’s if applicable
- Identify more precise causes of adjustments
- Identify department and/or personnel
- Identify trend types and timing of adjustments
- Identify legitimate payroll adjustments that are unavoidable or necessary in the course of business

The University Controller’s Office should consider developing a mechanism to notify departments of their adjustments and detail the corrective action needed.
Response from the University Controller

<table>
<thead>
<tr>
<th>Action Items</th>
</tr>
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<tbody>
<tr>
<td><strong>Targeted Completion Date:</strong> 6/30/2016</td>
</tr>
<tr>
<td><strong>Assigned to:</strong> Payroll</td>
</tr>
<tr>
<td><strong>Corrective Action Planned:</strong> Payroll will work with HR and EDCs to identify the needed enhancements. Payroll will work with FSMIT to add the enhancements to the report. Payroll will assess options for notifying departments of their adjustments.</td>
</tr>
</tbody>
</table>

Recommendation 2

The University Controller’s Office should develop mandatory training on business practices, required processes, and meeting deadlines aimed at reducing late filing of employment paperwork, EPAFs, payroll adjustments, and employee accounts receivable.

- The Controller should work with Human Resources and Learning Central to identify department administrators responsible for processing payroll documents and add the training to their learning plan.
- The training should apply to department chairs and payroll approvers, department administrators, and payroll personnel.

Response from the University Controller

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<tr>
<td><strong>Targeted Completion Date:</strong> 6/30/2016</td>
</tr>
<tr>
<td><strong>Assigned to:</strong> Payroll</td>
</tr>
<tr>
<td><strong>Corrective Action Planned:</strong> Payroll will work HR and EDCs to improve communication and training. Adjustments are very heavily tied to the initial job setup. HR and the EDCs will need to partner with Payroll to provide the applicable training for each step of the required processes, and support from the University Provost will be needed to include Deans and Chairs in the mandatory training.</td>
</tr>
</tbody>
</table>
Observations, Recommendations and Responses

Recommendation 3

The University Controller’s Office should consider charging an administrative fee to departments that submit late EAPFs or other employment documents, as well as for causing unnecessary payroll adjustments.

Response from the University Controller

<table>
<thead>
<tr>
<th>Action Items</th>
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<tbody>
<tr>
<td><strong>Targeted Completion Date:</strong> 1/1/2017</td>
</tr>
<tr>
<td><strong>Assigned to:</strong> Payroll</td>
</tr>
</tbody>
</table>

**Corrective Action Planned:** Payroll will assess options for a fee structure but would like to first determine the successful implementation of the remaining recommendations within this document, especially to identify the root causes of adjustments. Payroll also needs to see how the Talent Management Suite implementation impacts processes. The fee structure will be applied accordingly to departments, HR, and EDCs as applicable.

Payroll Testing

Internal Audit performed payroll testing on a sample basis to verify accuracy and test internal controls over payroll. To test payroll, we randomly selected one monthly and one bi-weekly payroll cycle. The sample of individual payrolls was randomly selected from a population size of approximately 35,100 payrolls at a 90% confidence level, such that the population deviation rate is not more than 10%.

We tested the sample for the following attributes: the timesheets were properly approved; the employee’s payroll disbursement for the pay period agreed to the approved pay rate and hours worked by the employee; and annual leave taken was properly approved. No exceptions were found. Based on test work performed, we concluded that internal controls are adequate for payroll disbursements and payroll disbursements are accurate for the pay period tested.

Payroll Overpayments and Employee Accounts Receivable

With approximately 19,000 employees, it is not unusual for errors to occur in the payroll process that ultimately result in employee receivables. When this occurs, University Policy requires establishment of an account receivable and employees must pay back the University for the overpayment. Overpayments can occur for a number of reasons including the following:

- Incorrect pay rates or benefit deductions
OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

- Cancelled classes where faculty received salary payments
- Lack of review/reconciliation of payroll at department level
- Delay in employee termination paperwork

When overpayments occur, there is considerable administrative burden on the Payroll Department in resolving payroll overpayments. Payroll employees must contact each overpaid individual, set up a receivable, establish a repayment arrangement for the employee, administer the repayments as they are received, and correct the Educational Retirement Board reporting for each month the employee was overpaid.

There is also additional administrative record keeping in the originating department where the payroll overpayment occurred. The originating department or EDC usually instructs the employee to contact the Payroll Department for answers to any questions they may have regarding the overpayment. However, it is the Payroll Department that expends resources working with the employee, analyzing how the W-2 might be affected, and working with the department to resolve the issue.

Accounts Receivable Tracking at Payroll

The Payroll Department employees manually track employee accounts receivables using two electronic worksheets. The first worksheet is an internal tracking of accounts receivable overpayments to employees that the Payroll Department continually updates and reconciles to Banner. From this analysis, the Payroll Department aims to resolve the overpayment by making adjustments to the employee's pay in the current payroll cycle.

If the Payroll Department is unable to collect an overpayment within 30 days or make the adjustment in the next pay cycle, Payroll turns over the employee receivable to the Bursar’s Office for collection. The second worksheet consists of these accounts receivable overpayments that the Payroll Department has analyzed, verified, and submitted to the Bursar’s Office. Individuals pay their receivable balance through check, money order, credit card, or directly at the UNM Bursar’s Office. The Payroll Department may allow an individual to set up a payroll deduction and pay their balance over several installments throughout the year, and the individual may pay through Bursar’s Office.

The process of accounting for employee accounts receivable is labor intensive and requires considerable time to set up and account for individual employee receivables. Often, the amount of the employee receivable is not material and the cost of administering the receivable far exceeds the amount of the receivable. To ease the administrative burden, and to properly follow accounting rules for public institutions (anti-donation), Payroll reached out to University Counsel inquiring into the possibility of writing off de minimus employee accounts receivable owed to the University. Per University Counsel, it is not a violation of anti-donation rules to write off de minimus overpayments, since the institution has received value for the services rendered; it merely overpaid for those services.
Recommendation 4

The University Controller’s Office should work with the UNM Policy Office to develop (or amend) a policy to allow de minimus write-offs in order to ease the administrative burden of collection when the cost of collection exceeds the amount to be collected. The Payroll Department should establish the average cost of processing, tracking and collecting overpayments as a guide for determining the appropriate amount to write off.

Response from the University Controller

<table>
<thead>
<tr>
<th>Action Items</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Targeted Completion Date:</strong> 3/31/2016</td>
</tr>
<tr>
<td><strong>Assigned to:</strong> Payroll</td>
</tr>
<tr>
<td><strong>Corrective Action Planned:</strong> Payroll will submit revisions to the Policy Office. These revisions will depend on the analysis and corresponding direction taken in Recommendation 5 below.</td>
</tr>
</tbody>
</table>

Recommendation 5

The University Controller’s Office should research tracking of overpayments in the Banner Accounts Receivable module as a means to ease the administrative burden of manually tracking employee receivables. If the Banner Accounts Receivable module proves to be problematic, the Payroll Department should determine other means of automating the process of reconciling and tracking employee receivables.

Response from the University Controller

<table>
<thead>
<tr>
<th>Action Items</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Targeted Completion Date:</strong> 3/31/2016</td>
</tr>
<tr>
<td><strong>Assigned to:</strong> Payroll</td>
</tr>
<tr>
<td><strong>Corrective Action Planned:</strong> Stale dated receivables will be written off. The Banner Accounts Receivable module will be assessed for tracking overpayments and is then intended to be utilized to track overpayments that require repayment of at least 2 pay cycles for that employee.</td>
</tr>
</tbody>
</table>

August 6, 2015
Payroll Process Follow-Up Audit Report 2015-01
TALENT MANAGEMENT SUITE — PERSONNEL SOFTWARE UPGRADE

The hiring platform for UNM is UNMJobs which employs underlying software that integrates with Banner. The University is in the process of changing the vendor and the underlying hiring software. A formal ERM Project has been approved by executive management. The project will accomplish three primary objectives and is scheduled for implementation in two phases.

Phase 1 Objectives: Recruitment and Onboarding

1. The project will utilize the Cornerstone Applicant Tracking software and the new Banner Position Description software to provide a robust, modern, comprehensive application tracking process to complement the ERP system for HR/Payroll at UNM.

2. The project will automate the onboarding process through landing pages, automated workflows, and offer letters that can be locally configured and customized for different employee types. This information will then be fed back into Banner via the EPAF and workflow process to create employee and job records.

Phase 2 Objectives: Performance Management

3. This project will utilize the performance management module within the Talent Management Suite (TMS) to create competencies and identify skills required for goal attainment. Additionally, it will create tools for supervisors to measure talent; e.g., using reports and data analysis, both custom and delivered.

The current applicant tracking system has limited integration with Banner through UNM deployed EPAFs, does not utilize the vendor provided performance management system, and requires primarily manual onboarding. Additionally, any customizations or configuration changes to the system have to be performed by the vendor and they are no longer providing major customizations to this version of the software, although they are still supporting it. The new TMS will have a common, modern look and feel while allowing individual employment areas to customize and configure their own landing pages, postings, applicant experiences, approval workflows and offer letters without having to contact the vendor to make the customizations. Advantages of the Talent Management system include the following:

- **Custom Pages** – Using TMS, EDCs can build their own custom landing pages
- **Automated Background checks** – Using the TMS integration with Sterling, background checks can be automated and become part of the workflow
- **Electronic Application Distribution** – Using TMS, qualified applications will be accessible to hiring managers on-line
- **Candidate Communication** – With TMS, qualified candidates can receive an immediate response as to whether they meet the minimum position qualifications
• **Reporting** – TMS has a very robust reporting tool built into the system

• **Training and Help** – Vendor provides extensive training and help for their entire TM suite both within the system and online

• **Position Descriptions and Position Classification locations** – These can be created, maintained or modified in Banner and fed over to the TMS system

• **Automated Onboarding** – Once a hire is made, the integration between TMS and Banner will feed the information into the EPAF workflow in Banner to create the employee record and/or the job record so it does not have to be entered manually by EDC staff

• **Performance Management** – Unlimited goals can be entered into the TMS system by employees and supervisors

• **Core Competencies and Skills Matching** – The TMS system has the ability to search employees within UNM and match their skills to particular positions

Phase 1 of the implementation project commenced on June 1, 2015 and will be completed in January, 2016. Phase 2 is scheduled to begin in November, 2015 and be completed by June, 2016.

**One Source Personnel Action Portal**

In 2011, the University formed a core office committee, with stakeholders across departments and EDCs, to respond to audit recommendations in Report 2010-07 related to guidance on hiring, standardization of the hiring processes, and consolidation of EDCs. The team created and implemented the One Source Personnel Action website, which is an interactive, menu driven portal that provides hiring guidance, instructions, forms and website links needed to hire employees at the University. One Source is informational in its nature and provides pathways for hiring any employee at the University.

Each type or class of employee at the University of New Mexico has a pathway that directs departments to a “How to Hire” page which includes:

• Job descriptions
• Current hiring processes
• Deadlines related to the job
• Instructions for completing the hiring process
• Checklists for hiring someone for a specific position, related policies, and guidelines
• Forms required in the hiring process
• Any additional information that may be of use
In addition to providing departments with information regarding the hiring process, One Source also provides information for the following processes: changes in organization code, a change in appointment percent, procedures for separations, annual and sick leave, rehiring employees, and job extensions.

**Recommendation 6**

UNM HR should work with OFAS to assess the impact of new processes being implemented, especially Talent Management, on the hiring process instructions detailed in the One Source Information portal.

**Response from the UNM Vice President of Human Resources**

<table>
<thead>
<tr>
<th>Action Items</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Targeted Completion Date:</strong> January 1, 2016 (to coincide with rollout of phase 1 of TMS)</td>
</tr>
<tr>
<td><strong>Assigned to:</strong> Chief HR Operations Officer</td>
</tr>
<tr>
<td><strong>Corrective Action Planned:</strong> HR IT will work with the various Employment Data Centers (EDC) to determine the current usage of the OneSource personnel action portal and to review the current content for accuracy of information. The EDC Team will then determine if it is appropriate to continue with the maintenance of OneSource Portal and if so, develop an action plan for updating the OneSource content to reflect changes in hiring process to coincide with the TMS implementation. If it is determined that OneSource should not be maintained then the EDCs will provide a recommendation to Administration on the appropriate mechanism to convey the hiring processes to departments.</td>
</tr>
</tbody>
</table>

**Electronic Personnel Action Forms (EPAF)**

**Employment Transactions using Electronic Personnel Action Forms**

An Electronic Personnel Action Form (EPAF) allows users to process personnel actions electronically in Banner. Use of EPAFs allows departments to process paperless personnel actions, thereby eliminating manual data entry into Banner. The EPAF enables the University to process personnel actions quickly with an electronic approval process, which also provides an audit trail for personnel actions. To increase efficiency, any University employment transactions that are processed manually should be converted to an EPAF process.
To access the EPAF roles in the BAR, an employee must complete the appropriate training titled “Understanding the EPAF Process.” The training has three relevant modules that explain how to originate an EPAF for employment transactions, attach a document to an EPAF, and approve an EPAF for employment transactions.

**EPAF Roles:**
- The originator is the person who creates the EPAF and also establishes the correct routing for the approval process
- The approver reviews and determines whether the transaction is ready to be routed to the next area or whether it should be returned to the originator for correction

**EPAF Flow:**
- EPAF is created and routed for approval
- The approver receives the EPAF request in their queue
- Once the transaction is approved, the EPAF is routed to the appropriate employment area for final approval

The EPAF has many benefits which include: elimination of lost forms, elimination of redundant data entry, increased data accuracy, electronic approval routing, and easy tracking.

The total number of EPAFs processed by the University in calendar year 2014 was 2,898. The following chart shows EPAFs categorized by Level 3 Organization.

### Total EPAF Transactions CY 2014

<table>
<thead>
<tr>
<th>Level</th>
<th>Number of EPAFs Processed</th>
</tr>
</thead>
<tbody>
<tr>
<td>School of Medicine</td>
<td>672</td>
</tr>
<tr>
<td>College of Arts &amp; Sciences</td>
<td>294</td>
</tr>
<tr>
<td>VP Institutional Support Services</td>
<td>242</td>
</tr>
<tr>
<td>Associate VP Student Services</td>
<td>130</td>
</tr>
<tr>
<td>Remaining Level 3 Orgs.</td>
<td>1,560</td>
</tr>
</tbody>
</table>

Source: UNM HR-IT
The 2,898 EPAF transactions for calendar year 2014 are classified into 24 types of transactions. The total EPAF transactions processed do not include the Office of Graduate Studies (OGS) which manually processes employment transactions. OGS is in the process of implementing an online Graduate Assistantship Contract system to be completed by August 2015 for the fall semester. Once implemented, the OGS system will use EPAFs for each graduate assistant or teaching assistant hired, as well as for updates, changes, or terminations of existing contracts.

The five EPAF categories with the most transactions are shown in the following chart:

![Total EPAF Category Transactions](chart)

The remaining EPAF transactions (372) are distributed among a dozen additional categories with fewer than 100 transactions each, which are combined into the Various EPAF category.
The 2,898 EPAF transactions for calendar year 2014 sorted by employment class (E-Class) are presented below.

![Total E-Class EPAFs](chart)

The remaining 14 E-Classes with fewer than 110 EPAF transactions are included in the category entitled Various E-Classes.

**Late Processing of Employment Transactions (EPAFs)**

If EPAF forms are not timely processed, there is a ripple effect through the system. A delay in processing a hiring EPAF could result in delays in employees being paid. A delay in processing a termination EPAF could result in a terminated employee receiving a paycheck, necessitating establishment of a receivable and collection action.

Late filed paperwork is measured by the difference of average days lapsed between the EPAF apply date and the personnel date it becomes effective in Banner. The EPAF apply date is when the EPAF was created by the department and submitted to the appropriate routing queues for approval. The personnel date is the official date in Banner when the job or job changes should have occurred.
The following graph shows the average days between the EPAF application date and Banner personnel date obtained from database queries to the Banner HR.

![Average Days EPAF Processed Late](chart.png)

The chart shows the top seven departments with average days between EPAF and personnel date. The average days signifies a late filing of an EPAF, which affects hiring, payroll and other HR activities. Late filed EPAFs may result in a payroll adjustment, overpayment of terminated employees, and EPAF process inefficiency. The remaining late filings are spread out among 34 Level 3 organizations.

**Limitations on Data Analysis**
Note, that in many cases, we found that a department's average processing of EPAFs may be greatly impacted by a single EPAF where that processing delay is for an extended period of time. Within the data set there were certain anomalies that impact the average number of days between when an EPAF was created (the date the personnel event occurred) and the date the EPAF was processed in Banner (the date the action took effect in the system).

- In some cases, where documentation was not timely filed, an EPAF was created and back dated to when the employment transaction actually occurred. This has the effect of extending average days EPAF is late.
- Student employees did not have a termination date entered into the system, so the data showed a considerable delay between student termination date and the date the EPAF was processed in the system.
Observations, Recommendations and Responses

Notwithstanding the data anomalies, the analysis does show a university-wide issue with employment and personnel transactions not being processed in a timely manner by departments.

EPAF Email Notification System

To address the late filing of EPAFs, UNM HR IT has developed an email notification system for EPAFs that tracks EPAFs for UNM staff and alerts originators and approvers in affected departments on the status and outcomes at each stage of the EPAF process.

In January 2015, HR IT, with the help of the Payroll Department, initiated an EPAF e-mail notification system for UNM staff employees. The electronic email notifications system allows EPAF originators, approvers, and HR consultants to track the EPAF status and determine if any action needs to be taken on their behalf to process the EPAF in a timely manner.

UNM HR IT is currently refining the email notification system and it should be ready by August 1, 2015. The system was developed to address late filing of paperwork and EPAFs by departments for hiring, employment changes and terminations. Late filing of paperwork/EPAAF generally results in payroll adjustments. The aim of the new system is to reduce the number and impact of late filing of hiring and termination documentation to prevent or lessen the number of payroll adjustments from late paperwork. The originating department and/or approver may act upon the emails to more timely facilitate the processing of the EPAF.

The types of emails that may be generated include:

1. EPAF in Wait Status Reminder
2. Pending notification
3. Returned for correction
4. Urgent Warning and Pay Alert Warning
5. Payroll Post Payroll Final Void Notice of Cancellation
6. FYI Future Dated Record Notification

The email notification system was developed and tested only for UNM Staff employees and will only be available for originators and approvers of UNM Staff EPAFs. Each employment area has its own unique hiring rules and processes, and the Staff EPAF email notification system is not automatically applicable to other employee types, such as faculty or students.

OFAS expressed interest in using the same EPAF email notification system for faculty contracts. However, due to the unique hiring practices and the contract renewal process for faculty, the staff EPAF email system is not directly transferable to the OFAS process. In addition, the EPAF email system requires extensive testing and the system is built around parameters unique to the employment area. UNM HR will provide the EPAF email source code to OFAS, and OFAS can work with UNM IT and resources to create their code for faculty contracts. UNM HR IT will provide their resources to OFAS if necessary.
Observations, Recommendations and Responses

HR IT has expressed willingness to provide the other areas (Student Services, GS, and HSC Faculty Contracts) with the source code that they can use to work with UNM IT to modify and test in their own system and processes.

Recommendation 7

OFAS should work with UNM IT to adopt an EPAF email notification system similar to the one developed by HR IT for UNM Staff.

Response from the Senior Vice Provost for Academic Affairs

<table>
<thead>
<tr>
<th>Targeted Completion Date:</th>
<th>12/01/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assigned to:</td>
<td>OFAS Director of Faculty Employment &amp; Services</td>
</tr>
<tr>
<td>Corrective Action Planned:</td>
<td>OFAS will take the lead in soliciting IT’s support to implement email notifications for faculty EPAFs before the end of the fall semester. OFAS will not implement all email notifications given their lack of resources and time to do so until the staff process is fully tested, implemented, and assessed. OFAS will work with HSC and SOM Faculty Employment Areas.</td>
</tr>
</tbody>
</table>

Office of Faculty Affairs & Services – Main Campus

Overview of Office of Faculty Affairs & Services

The Office of Faculty Affairs and Services (OFAS) is responsible for all aspects of the academic mission, including research, instruction, and academic personnel. This includes hiring faculty and annual renewal of all faculty contracts. The UNM Faculty types for academic years (AY) 2010 – 2014 are as follows:

<table>
<thead>
<tr>
<th>Tenure/Tenure-Track Faculty</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professor</td>
<td>497</td>
<td>483</td>
<td>474</td>
<td>484</td>
<td>486</td>
</tr>
<tr>
<td>Assoc. Professor</td>
<td>357</td>
<td>363</td>
<td>360</td>
<td>356</td>
<td>377</td>
</tr>
<tr>
<td>Asst. Professor</td>
<td>248</td>
<td>251</td>
<td>296</td>
<td>343</td>
<td>333</td>
</tr>
<tr>
<td>Instructor</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Non-Tenure-Track Faculty</td>
<td>988</td>
<td>1,046</td>
<td>1,130</td>
<td>1,097</td>
<td>1,125</td>
</tr>
<tr>
<td>Temporary Faculty</td>
<td>1,642</td>
<td>1,566</td>
<td>1,732</td>
<td>1,862</td>
<td>1,894</td>
</tr>
<tr>
<td>Total Faculty</td>
<td>3,736</td>
<td>3,711</td>
<td>3,995</td>
<td>4,147</td>
<td>4,215</td>
</tr>
</tbody>
</table>

Source: 2013-2015 UNM Fact Book
Establishment of a contractual employment relationship with UNM occurs as the result of appointment to the UNM Faculty. Appointments are given effect by establishing faculty as UNM employees in Banner. Contractually enforceable components of faculty appointments include title, rank, status (continuing vs non-continuing), FTE, base salary, and term. The parties (UNM and faculty member) bind themselves to the terms of the appointment by the written offer letter. The offer letter also sets forth any other unique terms and conditions, as well as incorporates by reference additional terms and conditions contained in the Faculty Handbook. UNM recognizes two different types of faculty appointments: continuing and non-continuing. Continuing appointments (professorial, lecturers, and professor of practice) renew year after year. All other appointments are non-continuing and will automatically end at the end of their stated term, unless deliberate action is taken to renew them.

Faculty Contract Renewal Process - Prior to Fall 2015

Faculty appointment data is entered and maintained in Banner in a variety of ways:

- OFAS creates the employee record reflecting the terms in the offer letter
- Each spring, OFAS (or the Salary Planner compensation adjustment process) updates faculty appointment information, including: title, status, promotions, FTE, terms, compensation, and leave balances

Since the implementation of Banner, the contract document that has been issued each summer is not required to sustain either the employment relationship or the paychecks of continuing faculty. However, up until AY 2015-16, the procedure has been to use hard copies of the individual faculty contracts in the renewal process. The contract provides a hard copy of the information in Banner. A contract can also function as employment verification for various types of loan applications an employee may want to enter into.

The hardcopy contract is not relevant to whether or not a legally enforceable employment relationship with UNM exists or whether an employee will receive a paycheck. However, the appointment type in Banner (continuing or non-continuing), the existence of an employment record in Banner, and the compensation data in the Payroll module are essential for a legally enforceable contract and the generation of a paycheck.

In the past, the creation of contract documents was minimally automated and required maintaining separate copies of the Banner data in a database in OFAS. The entire process of creating a second database file is time consuming as it is a manual process. Additional effort is required by OFAS and departments to distribute the contracts and to collect the contracts. In addition, the majority of appointment adjustments entered into Banner are manual processes that leave room for human error.

The faculty contract renewal season for the following academic year begins during the spring as part of the budget review and approval process.
Observations, Recommendations, and Responses

March through April budget cycle begins
The Budget Office presents upcoming budget information for HR and OFAS. UNM departments are responsible for entering new compensation and job records in Salary Planner; each job and compensation must reconcile with the budgeted position.

- Departments adhere to salary increase guidelines issued by the Provost's Office
- OFAS works with the Senior Vice Provost, Academic Affairs Chief Financial Officer, and the Budget Office to update Salary Planner procedures

April through May budget cycle closes
The roll out of budget in Salary Planner by Level Three Organization Management (Chairs/Deans) includes approval in Salary Planner by Chairs and Deans. The Provost Office reviews salaries and information provided by each department.

- OFAS works with the Senior Vice Provost and Academic Affairs CFO to review/approve compensation changes not submitted through the budget cycle process

June
The Office of Equal Opportunity and HR assist in creation of OFAS template data bases for paper contracts. HR IT uploads the Salary Planner information into the OFAS database. OFAS creates faculty paper contracts through their database for the current fiscal year as follows:

- Downloads Salary Planner job records into the database to review;
- Uses contract memorandums to process changes for yearly faculty, nine month faculty, and executive faculty;
- Creates paper contracts;
- If updates are not included in Salary Planner, OFAS creates new paper contract

The data concerning faculty appointments is entered and maintained in Banner in a variety of ways:

- Initially by OFAS when an employee record is created, reflecting offer letter terms
- OFAS staff (or the Salary Planner compensation adjustment process) make adjustments in appointment title, status, promotions, FTE, terms, compensation, and leave into Banner

July
OFAS and HR review all faculty data in Salary Planner. HR IT uploads faculty data from Salary Planner to Banner INTG (Troubleshooting) and BANP (Banner Production).

- Faculty job detail record and labor distribution data loads to the Banner forms.
OFAS generates fiscal and academic year faculty contracts. Contracts are generated based on the OFAS template using data from Salary Planner and Banner PEFACT. Contracts are reviewed by OFAS and Academic Affairs before final distribution to departments. The review process includes:

- Corrections to salary data
- Faculty rank
- Tenure data

OFAS reviews faculty contracts to ensure final approvals are updated in Banner production before July payroll deadline. The data file is extracted to review and ensure there are no data discrepancies. IT updates Banner for fiscal year contracts with the following:

- Begin and end dates
- Default earning record

**July through August**

OFAS releases faculty contracts to departments and enters contract revisions if departments note discrepancies. With the exception of compensation changes entered into Banner via the automated Salary Planner process during budget season, all of the above described processes are still manual. Manual processes create opportunities for errors resulting in incorrect salary payments or inaccuracies. The Payroll Department processes for faculty contracts and compensation have the same issues with paper contracts, leading to scanning of the contracts to ensure the Payroll Department has a copy. The copies are used to verify the official record in Banner. If there are any discrepancies, time is spent by departments, OFAS, and Payroll figuring out which data is correct. More staff time is currently spent generating the paper contracts and reconciling the information to the official Banner data than is spent on verifying the accuracy of the official data in Banner.

**Faculty Contract Renewal Process - Starting Fall 2015**

Faculty members with continuing appointments hold academic year, or fiscal year employment contracts which automatically renew, subject to satisfactory performance. Because continuing faculty appointments automatically renew, there is no need to write a new faculty contract each year. Modifications of contract terms can occur at any time, as agreed upon by the parties and documented in writing at the level of the academic units (subject to approval by the appropriate University officials). Changes in appointment terms and status or base compensation are memorialized in writing but are given effect upon entry into the Banner employment data of record.

Faculty with continuing appointments receive a “base” salary associated with their appointment in exchange for delivery of an appropriate academic workload. The workload typically encompasses some combination of teaching, research and public service. Faculty members are eligible for increases to their base salary for meritorious service and/or
promotions in rank, as documented through various means (most commonly through the annual, retention, promotion, or tenure review processes). Base compensation changes can be initiated in Banner through the Salary Planner process which occurs in the spring of each year; however, a great many appointment status and base compensation changes must still be manually entered into Banner by OFAS staff. Such requests are submitted on forms by the academic units.

Academic Affairs is actively working to create Banner employment data entry tools that will allow academic units to automate all changes and eliminate the need for paper contracts. At that point, OFAS staff will continue to provide a verification and approval role, but not a data entry role. Until all faculty data entry processes are automated, forms will continue to be used to collect and verify information for entry into Banner. Testing for the new contract renewal system was conducted throughout the spring and summer, and the system will be live for the fall 2015 semester.

March through April
OFAS collaborates with the Budget Office, the Senior Vice Provost, and the Academic Affairs CFO to update operating procedures and budget overview. OFAS presents the new paperless compensation process to faculty in March. OFAS provides forms on their website to facilitate updates to faculty compensation.

April through May
OFAS and HR IT load faculty salaries in Banner to validate data before the academic year begins. Doing so allows for more reviews/updates and collaboration with the Payroll Department to reduce adjustments. OFAS uploads videos to their website that demonstrate self-service access and navigation of the new self-service portal.

June
The OFAS self-service module opened in June 2015 to all faculty to review compensation for new fiscal year/academic year. Academic staff and departments can perform the following:

- Use of HR and Finance MyReports to review compensation for respective faculty
- Use of new OFAS faculty forms to submit updates to faculty compensation

OFAS created new forms to update information rather than revising paper contracts. OFAS is working with the Payroll Department on vital error reports and will meet with the Payroll Department to address any errors based on load and/or updates.
Implementation Plan for AY 2015-2016

OFAS has developed implementation plans for going forward including:

- Automating department processes for entering information about faculty appointments and compensation adjustments into Banner using EPAF's that can assist with mathematical calculations and correct coding of data.
- Educating faculty about the nature of continuing faculty appointments so that they will understand and accept the need to abandon duplicate paper contracts each year.
- Ensuring that faculty have simple, timely online means to monitor changes in appointment status and compensation, and can print copies of their online records when desired.
- Ensuring that an appeals process is developed in the event faculty disagree with their Banner data.
- Establishing other means of confirming promotions and grants of leaves.
- Generating official employment verification letters when requested and alerting probationary faculty annually to where they stand in regard to their tenure timeframe.
- Shifting departmental and OFAS staff effort into validating the data in Banner, rather than spending it generating unnecessary hard copy duplications of official Banner data. Recovered OFAS effort can be used to instead provide regular analysis of error reports and other data to improve processes and inform best practices. Effort could also be shifted to support a multitude of strategic faculty personnel initiatives such as compensation studies, achievement of hiring and recruitment goals, assisting units with more complex personnel needs relative to compliance mandates, assisting with visas, supporting faculty reviews, processing leave requests, and training departmental staff in the use of automation tools.

Training Initiatives

The Office of the Provost has created an Academic Leadership Workshop to provide guidance for handling new faculty contracts, recruiting faculty, assessing faculty performance, dispute resolution, legal and policy obligations, strategic planning, and much more. The purpose of the workshop is to educate and train each department's administrative units to better serve their staff/faculty. To prepare for the fall 2015 implementation of the paperless contract renewal process, the Provost and OFAS have also provided training on the new faculty contract process for department chairs and administrative personnel. In addition, training drop-in sessions were held for faculty and administrators to attend at their convenience. Twenty-two training workshops were held from September 12, 2014 through May 20, 2015.

Although extensive training sessions have been held by OFAS for the academic departments, they have not yet met with Payroll Department personnel to assess how changes within OFAS
and with the new faculty renewal process will affect the Payroll Department and payroll processing.

**Recommendation 8**

OFAS should expedite the transition to automated processing of contract renewal processes, and develop a timeline to coincide with implementation of Talent Management. OFAS should work with UNM IT to further develop EPAF processes for employment transactions that are not currently using EPAFs.

**Response from the Senior Vice Provost for Academic Affairs**

<table>
<thead>
<tr>
<th>Action Items</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Targeted Completion Date:</strong> See Dates Below for Each Project (EPAFS, Paperless Contracts, Talent Management)</td>
</tr>
<tr>
<td><strong>Assigned to:</strong> OFAS/HSC Employment Area Directors</td>
</tr>
<tr>
<td><strong>Corrective Action Planned:</strong></td>
</tr>
<tr>
<td>June 30, 2016: OFAS will work with IT and HSC Faculty Employment Areas to develop additional EPAFs to automate existing paper employment transactions.</td>
</tr>
<tr>
<td>July 1, 2015: The paperless contract renewals was implemented Main and Branch Campus Faculty.</td>
</tr>
<tr>
<td>January 30, 2016: OFAS will work with HSC and SOM Faculty Employment Areas to utilize Talent Management for automating onboarding process for new hires with an integration of employee information from TM to Banner. However, fall hiring activity for AY 2016-17 will have started prior to the implementation of TM for Main and Branch Campuses; therefore, there will be delays in fully utilizing TM for Main and Branch Campuses until Spring/Summer 2016. All three faculty employment areas are and will continue to participate in the TM project.</td>
</tr>
</tbody>
</table>

**Recommendation 9**

OFAS should work with the Payroll Department to integrate their new processes with payroll department processes, work out kinks, discuss issues, and solve potential problems with the rollout of the new system.
Response from the Senior Vice Provost for Academic Affairs

<table>
<thead>
<tr>
<th>Action Items</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Targeted Completion Date:</strong> January 30, 2016</td>
</tr>
<tr>
<td><strong>Assigned to:</strong> OFAS Director of Faculty Employment &amp; Services/ Executive Director: Finance Systems Management &amp; Payroll</td>
</tr>
<tr>
<td><strong>Corrective Action Planned:</strong> OFAS will continue to collaborate with Payroll to complete vital error reports related to employment transactions; continue to meet to address gaps in the understanding of faculty related projects and/or to request their support in testing automation as needed.</td>
</tr>
</tbody>
</table>

**SOM Office of Academic Affairs/HSC Faculty Contracts**

The HR operations for UNM Health Sciences Center faculty are divided into two separate administrative units, each with their own specific functions and staff: The School of Medicine Office of Academic Affairs, and the Health Sciences Center Faculty Contracts Office.

**School of Medicine Office of Academic Affairs**

The SOM Office of Academic Affairs (SOM AA) is responsible for all faculty processes involving existing faculty, including:

- Compensation and leave issues
- Retention, promotion and faculty development
- Policies and legal issues
- Faculty rank, track, and effort distribution
- Volunteer faculty and letters of academic titles

The office also conducts high level searches to include external and internal competitive searches for all dean, chair and director positions.

**HSC Faculty Contracts**

The Health Sciences Center Faculty Contracts Office (HSC FCO) was established in July of 2011, to serve the Health Sciences Center department leadership and staff on all aspects of faculty employment. The HSC FCO is responsible for the review and processing of HSC faculty employment transactions including contracts, recruitment, hiring, and benefit orientations. The office provides customer service and consultation regarding all aspects of faculty employment for UNM’s Health Sciences Center including:
OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

- Faculty provisioning
- Letter of offer review
- Annual faculty contract renewals
- Faculty contract revisions
- Faculty and post-doctoral fellow benefit orientation
- Post-doctoral hires and contract renewals
- Nonstandard payment processing
- SOM position review committee requests
- UNM Jobs support and processing
- Visiting scholars
- Separations and retirements
- Faculty sick leave, leave without pay, and sabbaticals

Current Payroll and Personnel Process

HSC FCO and SOM AA use the Academic Affairs database for all faculty salary budgeting needs. During budget season, the database is open and each department enters salary and other updates such as time and effort status, research status, and equity adjustments. This information is input on a faculty contract form and printed. The form must have the signatures of the faculty employee, faculty chair, and dean. HSC FCO and SOM AA manually enter this information into Banner. HSC FCO and SOM AA review HR Reports to ensure the salary amount paid is correct and ties with the Academic Affairs database. The review is performed before the payroll is finalized so any adjustments can be made prior to the payroll run.

HSC (including the SOM, and the Colleges of Nursing and Pharmacy) have developed and use EPAFs for the following processes:

- Organization code changes
- Supervisor updates
- Separations (retirements or resignations)
- Temporary Part-Time (TPT) rehires
- Nonstandard payments (NSP)

HSC FCO has not developed EPAFs for other employment activities, including the following processes:

- Leaves
- Changes in appointment percent
- Salary changes
- Separations (deceased personnel)
- Post Doc renewals
- Post Doc changes in appointment percent
- Post doc salary changes
OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

- Post Doc separations (resignations or end of contracts)
- Extending Visiting Faculty Appointments

The UNMJobs EPAF was developed by UNM HR and UNM IT, HSC Faculty Contracts Office, along with OFAS helped test the EPAFs; however, the tests did not provide the desired outcomes, and no further solutions were developed to fix the issues. Developing EPAFs is challenging because there is not a centralized group for Faculty EPAFs. There are no resources such as IT assistance to support EPAF creation and monitoring. The HSC FCO indicated it would be beneficial for North Campus to have a centralized resource group to help implement EPAFs or develop ideas for EPAFs. The Talent Management System (TMS) should allow for EPAF processing of new faculty data from TMS to Banner when implemented in 2016.

Recommendation 10

HSC should work with UNM IT and UNM HR to further develop EPAF processes for employment transactions that are not currently using EPAFs. Development of these EPAFs should be coordinated with the implementation of the Talent Management system in June 2016.

Response from the HSC Senior Executive for Finance and Administration

<table>
<thead>
<tr>
<th>Action Items</th>
</tr>
</thead>
</table>

**Targeted Completion Date:** June 2017

The Health Sciences Center agrees with the Internal Audit recommendation to assist with functional expertise to further develop EPAF processes for employment transactions.

**Assigned to:** Vice Chancellor for Academic Affairs - HSC

**Corrective Action Planned:** The HSC Faculty Contracts Office will help develop ideas and implement new EPAFs with UNM HR and UNM IT for faculty employment transactions not currently using EPAFs. This is dependent on UNM IT programming the EPAFs into Banner.

OFFICE OF GRADUATE STUDIES

Graduate assistantships are financial awards to graduate students for part-time work in teaching or research while pursuing study toward an advanced degree. Eligible students have been formally admitted to a graduate program, are enrolled for a minimum of 6 hours of course
work, thesis or dissertation hours, and maintain a 3.0 grade point average in graduate course work each semester.

**GA Hiring Process – Prior to Fall 2015**
Departments that hire graduate assistants generally have to wait until grants are approved and finalized before they begin the hiring process. The process provides the Office of Graduate Studies only six weeks prior to the start of a term to manually process approximately 2,000 assistantship contracts. The hardcopy contracts must be approved by dean or chair, signed by the student and forwarded to OGS. Once the contracts have been finalized, OGS staff manually inputs the data from the paper contracts into Banner system. Often, graduate assistants are not fully processed through the system prior to the start of the term.

As a result, OGS was fraught with delays in employment processing, resulting in graduate assistants who started working but are not yet entered in the payroll system. The delays had a domino effect, culminating with the Payroll Department processing off-cycle payrolls and adjustments. While OGS does have deadlines for submitting paperwork, departments do not adhere to the deadlines, and OGS has little authority to enforce compliance with deadlines. In addition, contract revisions occurring mid-term often result in confusion over the effective date of the change and when payments under the new contract terms should commence.

**GA Hiring Process – Starting Fall 2015**
As a response to the prior audit recommendations, OGS and UNM IT have created an online portal through LoboWeb Self Service to process graduate assistant and teaching assistant hires. LoboWeb, or Banner Self Service, is a user friendly way to run operating ledger queries and generate a number of accounting transactions. LoboWeb is a secured IT portal accessed through the MyUNM link, and requires specific user ID authentication for access to the system.

The new graduate assistant EPAF system is in the test phase and is scheduled for go live implementation in August 2015 (for fall semester hiring). OGS has provided EPAF training to UNM academic departments hiring graduate assistants, and when the new EPAF system goes live, OGS plans on providing interactive training on a weekly then monthly basis to departments.

Under the new system, OGS will no longer process manual graduate student contracts. Instead, OGS will process assistantship contracts through the EPAF LoboWeb Self Service portal. Each department has originator access and reviewer/approver access. The new EPAF system allows department originators to submit all graduate student assistantship contracts through a paperless system.

The department originator enters the student job duties for each Graduate Student Assistantship (GSA) contract. The job labor distribution is tied with the Banner index and department originators must submit an active index to correctly pay each student.
The student information details their GPA and all the required training taken or needed for their employment. Departments may have their students take required training to fulfill pre-employment requirements. The student signs the contract through digital signature, and may print out a copy of the contract for their records. The student is required to submit a hard copy of the signed I-9 form and W-4 to the OGS office, which will then approve the contract.

The new system does not allow the department originator to submit an employment start date before today's date. Departments cannot back date GSA contracts and must submit a payroll adjustment if needed.

**Department Reviewers/Approvers**
Each approver selects the contract number and reviews the GSA contract summary. Approvers ensure that the department information is correct and accurate. If information is not correct, the approver may reject or decline the GSA contract. The approver must provide comments stating why the GSA contract is incorrect and what needs to be corrected. If the GSA contract is approved, an email is generated and sent to the originator. The student will also receive an email indicating the student has 10 days to approve their contract or it will be canceled. When the student approves their GSA contract, it is routed to OGS. OGS can approve the GSA contract through an EPAF. Once approved, it is automatically loaded to Banner.

**GSA Contract Terminations**
Originators provide a termination reason for ending a GSA contract within the LoboWeb Self-Service Portal. They also enter the termination effective date and select the GSA contract for the termed student. Originators can terminate a GSA contract before the contract begins. The termination information is sent through an EPAF to OGS. OGS did not want the EPAF termination to automatically route to Payroll, instead OGS manually terminates the GSA contract in Banner and then Payroll reviews the termination.
APPROVALS

Manu Patel, CPA
Director, Internal Audit Department
Approved for Publication

Chair, Audit and Compliance Committee
<table>
<thead>
<tr>
<th>Adjustment Reason Code</th>
<th>Description</th>
<th>Definition/Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>1EMP</td>
<td>Employee</td>
<td>Employee submitted documentation past deadline.</td>
</tr>
<tr>
<td>2DTE</td>
<td>Department time entry</td>
<td>Department submitted documentation past deadline.</td>
</tr>
<tr>
<td>3DPT</td>
<td>Department</td>
<td>Department submitted paperwork to EDC past EDC deadline.</td>
</tr>
<tr>
<td>4EDC</td>
<td>EDC</td>
<td>EDC submitted paperwork to Payroll past payroll deadline.</td>
</tr>
<tr>
<td>5DAE</td>
<td>Department and EDC</td>
<td>See 3DPT and 4EDC.</td>
</tr>
<tr>
<td>6ISE</td>
<td>Input/setup errors</td>
<td>EDC makes data entry error during input/setup.</td>
</tr>
<tr>
<td>7PYE</td>
<td>Payroll Error</td>
<td>Payroll makes error during processing.</td>
</tr>
<tr>
<td>8RTP</td>
<td>Routine procedures</td>
<td>Necessary and routine adjustments.</td>
</tr>
<tr>
<td>9MSC</td>
<td>Miscellaneous or Unknown</td>
<td>Use this code when the error is outside other reason codes.</td>
</tr>
<tr>
<td>10BE</td>
<td>Benefits error</td>
<td>Benefits Office makes error during processing.</td>
</tr>
<tr>
<td>11BL</td>
<td>Benefits late</td>
<td>Benefits Office submitted paperwork to Payroll past payroll deadline.</td>
</tr>
</tbody>
</table>

Exhibit 1
Payroll Follow-Up
Payroll Transactions Processed on Off-Cycle Adjustment Summary
Adjustment by E-class
Audit 2015-01

<table>
<thead>
<tr>
<th>Employment Class</th>
<th>Main Campus</th>
<th>UNM Branches</th>
<th>HSC</th>
<th>Total</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Time Faculty</td>
<td>645</td>
<td>70</td>
<td>397</td>
<td>1112</td>
<td>18.21%</td>
</tr>
<tr>
<td>Temporary/Part-Time Faculty</td>
<td>481</td>
<td>203</td>
<td>268</td>
<td>952</td>
<td>15.59%</td>
</tr>
<tr>
<td>Staff</td>
<td>1435</td>
<td>202</td>
<td>1045</td>
<td>2682</td>
<td>43.92%</td>
</tr>
<tr>
<td>Temporary/On-Call Staff</td>
<td>143</td>
<td>3</td>
<td>99</td>
<td>245</td>
<td>4.01%</td>
</tr>
<tr>
<td>Student</td>
<td>817</td>
<td>95</td>
<td>99</td>
<td>1011</td>
<td>16.55%</td>
</tr>
<tr>
<td>Resident Physician</td>
<td>0</td>
<td>0</td>
<td>105</td>
<td>105</td>
<td>1.72%</td>
</tr>
<tr>
<td>Total</td>
<td>3521</td>
<td>573</td>
<td>2013</td>
<td>6107</td>
<td>100.00%</td>
</tr>
<tr>
<td>Percent by Campus</td>
<td>57.66%</td>
<td>9.38%</td>
<td>32.96%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: UNM My Reports

Note: There are six broad categories of E-classes, however, there are several different E-classes within each broad category. There were 6107 payroll adjustments in calendar year 2014.


## Payroll Follow-Up

**Payroll Transactions Processed on Off-Cycle Adjustment Summary**  
**Payroll Adjustments by EDC & EVP**  
**Audit 2015-01**

<table>
<thead>
<tr>
<th>Adjustment By EDC</th>
<th>Number of Adjustments</th>
<th>Percent</th>
<th>EVP Employment Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty Contracts</td>
<td>1399</td>
<td>22.91%</td>
<td>Provost</td>
</tr>
<tr>
<td>Faculty Contracts - SOM</td>
<td>619</td>
<td>10.14%</td>
<td>SOM Chancellor</td>
</tr>
<tr>
<td>Graduate Medical Education</td>
<td>105</td>
<td>1.72%</td>
<td>SOM Chancellor</td>
</tr>
<tr>
<td>Human Resources</td>
<td>2927</td>
<td>47.93%</td>
<td>EVP Administration</td>
</tr>
<tr>
<td>Office of Graduate Studies</td>
<td>448</td>
<td>7.34%</td>
<td>Provost</td>
</tr>
<tr>
<td>Student Employment</td>
<td>563</td>
<td>9.22%</td>
<td>Provost</td>
</tr>
<tr>
<td>Faculty Contracts - Nursing</td>
<td>25</td>
<td>0.41%</td>
<td>SOM Chancellor</td>
</tr>
<tr>
<td>Faculty Contracts - Pharmacy</td>
<td>21</td>
<td>0.34%</td>
<td>SOM Chancellor</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>6107</strong></td>
<td><strong>100.00%</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Source: UNM MyReports*

**Note:** There are 544 departments within 6 employment areas. Faculty contracts for the College of Nursing and College of Pharmacy are administered by the School of Medicine.

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*Exhibit 3*