



The University of New Mexico

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MEMORANDUM

To: Jac A. Nickoloff, Ph.D.
Chair of Department of Molecular Genetics and Microbiology

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

Date: July 19, 2004

Subject: Molecular Genetics and Microbiology Nepotism, Time-Keeping and Management Controls Report 2004-17

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

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

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

cc: Louis Caldera
David Harris
R. Philip Eaton
Paul Roth
Bill Britton
Linda Easley
Judy Cartmell

MOLECULAR GENETICS AND MICROBIOLOGY NEPOTISM, TIME-KEEPING AND MANAGEMENT CONTROLS

INTRODUCTION

PURPOSE

We performed this review because the Chair of MGM asked us to look at Molecular Genetics and Microbiology's (MGM) administration of payroll activities. While doing this work, we also reviewed other MGM business processes to determine if MGM is following applicable University business policies and has implemented sufficient management controls.

SCOPE

Our review was based on inquiries of MGM business personnel concerning MGM's business processes. When we needed additional information, we reviewed a limited selection of MGM documents for the period of January 1999 through January 2004 as a follow-up to the information we collected.

BACKGROUND

MGM is a department within The University of New Mexico School of Medicine. MGM emphasizes education, mentoring and research. The focus of research is in the areas of fundamental cellular processes and infectious diseases. These studies relate to the fields of cancer cell biology, genomics, molecular biology, immunology, vaccine development, and the development of sensitive diagnostic tests.

OPINION

MGM has some business processes that need to be improved in payroll and other areas. We make recommendations in these areas and will provide details not included in the report as needed.

RESPONSE FROM THE CHAIR OF MGM

The Department of Molecular Genetics and Microbiology was reviewed by the Internal Audit Department in late 2003-early 2004. We appreciate the feedback that we received during this process and we expect that the changes that have been implemented in response to the findings will improve our operation and the accountability of our faculty and staff.

EXECUTIVE SUMMARY: MOLECULAR GENETICS AND MICROBIOLOGY

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

NEPOTISM [3]

We were informed of three cases of nepotism. Two cases were already resolved by MGM although one case remains and management needs to take action on this case. The Chair of MGM responded that they will obtain the proper approval in the remaining case.

ADMINISTRATION OF PAYROLL AND LEAVE [3]

Management control deficiencies exist in the area of payroll and leave administration. Two employees did not report leave taken (one case each). MGM has changed work schedules so payroll and leave issues can be better managed. The Chair of MGM responded that MGM supervisors will receive payroll and leave reports to assure that payroll and leave records are accurate, and time sheets will be properly signed.

RECONCILIATIONS OF FRS REPORTS [6]

Reconciliations are not reviewed. The Chair of MGM responded that reconciliations will be reviewed, signed and dated.

LONG DISTANCE CALLS [6]

MGM doesn't use a long distance phone call log or monitor long distance calls. We recommend the use of a log or an alternate review process. The Chair of MGM responded that long distance logs will be utilized.

PETTY CASH REIMBURSEMENTS [7]

The employee who handles petty cash reimbursements should document that she has transferred reimbursement funds to purchasers. The Chair of MGM responded that those receiving reimbursements will sign and date for the reimbursements they receive.

TRAVEL EXPENSES REIMBURSED BY THIRD PARTIES [8]

MGM should use a pre-travel form so that they can be informed when third parties will reimburse MGM employees for travel expenses. The Chair of MGM responded that a department leave form will be used that includes a request for information as to whether third parties will pay for part or all of travel expenses.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

NEPOTISM

Please refer to Policy 3210 7.2 (Recruitment and Hiring) of the University Business Policies and Procedures Manual (UBPPM) that includes, “Hiring officers may not hire or supervise a family member or a family member of a line supervisor without the advance approval of the President.” Also, please refer to Policy C30 2 (Employment of Relatives) of the University of New Mexico Faculty Handbook (Faculty Handbook) that includes, “No supervisor may employ or appoint a member of his immediate family. A supervisor may not employ or appoint a member of the immediate family of any of his line superiors without the advance approval of the President.” The University cannot be assured that fair value is received in cases of nepotism and scenarios of nepotism can result in morale problems that can reduce productivity.

We received information about three cases of possible nepotism at MGM. One case was resolved at the start of our review when the Chair of MGM transferred the employee in question to work under a different supervisor. Questions regarding a second case were resolved over a year ago when the individual became a volunteer faculty member (not paid). The third case continues to be a violation of the above Faculty Handbook policy because the President’s approval has not been requested and received.

Recommendation 1

We recommend that MGM comply with the above policies by obtaining the approval of the President for the current scenario that is not in compliance.

Response from the Chair of MGM

Recommendation 1: Nepotism

UBPPM Policy 3210 7.2

Assessment: Concur with Internal Audit findings

Corrective action: On April 28, we sent a letter to President Caldera (through Drs. Paul Roth and Phil Eaton, Dean of SOM and VP of Health Sciences Center) to request his approval and allow [REDACTED] and his spouse to continue their productive working relationship, with proper external supervision. A copy of this letter is attached to this document.

ADMINISTRATION OF PAYROLL AND LEAVE

Please refer to UBPPM 2645 1 and 4.1 (Accounting for Labor Expenses) which includes, “As part of the overall responsibility for administering budgets and other funds, departments are responsible for verifying the accuracy and appropriateness of labor

charges” and “In order to verify the accuracy of labor charges, the department should reconcile the accounts each month. To do so, the department may calculate monthly salary charges according to the internal records and compare this amount to the monthly accounting and payroll reports.” Also, please refer to UBPPM 3400 5.3 (Annual Leave) which includes, “Supervisors are expected to monitor employee leave balances.” Also, please refer to UBPPM 3400 7 and 3410 12 (Annual Leave, Sick Leave, respectively) which include, “Each department is also responsible for maintaining internal records of each employee’s leave, including leave hours earned and used, as well as leave balances.” We noted management control issues when reviewing payroll and leave administrative procedures. Also, we received information regarding two cases of leave taken but not reported. These observations are discussed in the below three sections.

Adequate Monitoring of Payroll Leave Reports

Immediate supervisors don’t receive copies of payroll reports from the University of New Mexico Payroll Department (UNM Payroll) that are needed to check for errors/possible abuse, and to make corrections or take appropriate management action.

We were informed of one incident each for two employees when leave was not reported. Because we are aware of only one incident for each employee, a pattern does not exist and we cannot conclude that the omissions of reporting leave was other than errors. When informed of the errors, MGM asked UNM Payroll to reduce these employees’ leave balances. Please note that these types of errors might be detected if immediate supervisors have access to payroll reports and use these reports to track leave taken to what leave is recorded.

Recommendation 2

We recommend that MGM require that immediate supervisors receive copies of payroll reports from UNM Payroll and review the reports in order to detect errors/possible abuse and assure that corrections occur and/or appropriate management actions are taken. Immediate supervisors are in the best position to note irregularities or errors on the reports.

Response from the Chair of MGM

Recommendation 2: Payroll, leave accounting

UBPPM Policies: 2645-1, 4.1, 3400-5.3, 3400-7, 3410-12, 8400-2.1,

Assessment: Concur with Internal Audit findings

Corrective Action: MGM supervisors will receive copies of biweekly and monthly payroll reports. Dept. records are kept on annual and sick leave usage and balances using the UNM Report of Absence provided by the Payroll dept.

Implementation Date: 5/1/04

Payroll Reconciliations

Internal MGM payroll information is not compared to payroll reports from UNM Payroll and internal leave records are not reconciled to leave reports received from UNM Payroll so that errors and/or abuse can be detected and corrected and/or proper administrative actions taken. In addition, the Chair of MGM or a designate is not reviewing payroll reports to catch any material discrepancies and don't review reconciliations of leave records to assure that they are done.

Recommendation 3

We recommend that MGM compare payroll and leave reports from UNM Payroll to internal MGM records and make appropriate corrections and/or take appropriate management actions. Also, we recommend that the Chair of MGM or a designate review payroll reports and reconciliations to check for material discrepancies.

Response from the Chair of MGM

Recommendation 3: Payroll reconciliation

UBPPM Policies: 3400-5.3, 3410-12

Assessment: Concur with Internal Audit findings

Corrective Action: Accountant is currently receiving copies of payroll and leave reports to reconcile to UNM HRS FRS reports. Department Administrator reviews and signs biweekly payroll forms and department chair reviews and signs monthly and faculty payroll reports.

Implementation Date: April 1, 2004

Time sheet signatures

Sometimes student workers don't sign time sheets because of their varied schedules and principal investigators' varied schedules.

Recommendation 4

We recommend that MGM emphasize obtaining student signatures on time sheets as the signatures show they are taking responsibility for the hours they report.

Response from the Chair of MGM

Recommendation 4: Student timesheets

Assessment: Concur with Internal Audit findings

Corrective Action: Timekeeper no longer accepts student time sheets without student's signature. Faculty have been notified of the change in policy, and appropriate personnel have been identified to sign student time sheets in the event that a faculty member is unable to sign such sheets in timely manner.

Implementation Date: May 1, 2004

RECONCILIATIONS OF FRS REPORTS

Please refer to UBPPM 8400 2.1 (Financial Reporting System) which includes, "Departments should verify FRS monthly reports by reconciling them to internal departmental records, and should use FRS monthly reports to monitor the status of their accounts and budgets." We noted that MGM's reconciliations of the monthly Reports of Transactions from UNM's Financial Reporting System (FRS) to MGM's internal records are not reviewed by anyone. Reviews are needed to catch errors.

Recommendation 5

We recommend that a supervisor of the reconciler review MGM reconciliations so that errors can be detected and corrected. Also, the supervisor who reviews the reconciliations should document that she/he has performed these reviews. A benefit of this review would be the detection of long-standing reconciling items that might not otherwise be noted by management.

Response from the Chair of MGM

Recommendation 5: FRS/HRS reconciliation

Assessment: Concur with Internal Audit findings

Corrective Action: Department Administrator will review, sign and date all FRS and HRS reports, after accountant has reconciled to department accounts.

Implementation Date: 5/1/04

LONG DISTANCE CALLS

Please refer to UBPPM 2110 (Long Distance Telephone Calls) which includes, "Charging long distance telephone calls for personal or other non University purposes is prohibited ... Departments should maintain Long Distance Telephone Logs to ensure the accuracy and appropriateness of University long distance charges ... " We were informed that MGM doesn't use long distance telephone logs and doesn't review UNM Telecommunication bills to detect personal calls (if any).

Recommendation 6

We recommend that the Chair of MGM either require the use of long distance telephone logs, or the Chair of MGM require that someone review long distance telephone bills from UNM Telecommunications to detect possible personal long distance telephone calls. These reviews should be documented (signed and dated by reviewers).

Response from the Chair of MGM

Recommendation 6: Telephone logs

UBPPM Policies: 2110-1 & 3

Assessment: Concur with Internal Audit findings

Corrective Action: MGM employees with telephone authorization codes have been informed of UNM policy regarding long distance calls. A long distance telephone log has been given to each of them. The accountant collects log sheets at the end of each month to reconcile to phone charges.

Implementation date: April 15, 2004

PETTY CASH REIMBURSEMENTS

MGM employees make minor purchases and submit the receipts to a MGM business office employee. She prepares a Petty Cash Reimbursement form (PCR) and obtains reimbursements for the MGM employees. She could be vulnerable to questions of impropriety should any MGM employee relate that they had not received her/his reimbursement because MGM employees are not required to sign anything when she transfers reimbursement funds to them.

Recommendation 7

We recommend that MGM employees, when they receive reimbursements through the use of PCRs, write "received" and sign/initial and date the item(s) on the PCRs for which they receive reimbursements. Alternatively, we recommend that MGM employees sign/initial and date pre-numbered receipts of which one copy is to be retained by the business office employee who administers PCR reimbursements. The items and PCR number should be written on these receipts.

Response from the Chair of MGM

Recommendation 7: Petty cash reimbursements

UBPPM Policy: 4320-6.1

Assessment: Concur with Internal Audit findings

Corrective Action: MGM has ordered a stamp that will be used on each reimbursement request. The stamp will read:

Received by _____, date _____, amount _____.

Signature: _____

Implementation date: 5/15/04 (this is when we expect to receive the stamp)

TRAVEL EXPENSES REIMBURSED BY THIRD PARTIES

Non-UNM entities sometimes pay for MGM employees' travel expenses. MGM, however, doesn't have a procedure in place for requiring MGM employees, before travel occurs, to notify MGM that third parties have committed to reimburse travel expenses. The requirement for MGM employees to notify MGM of third-party travel reimbursements before trips occur puts them on notice that they have the responsibility to report third-party reimbursements for their travel expenses.

Recommendation 8

We recommend that MGM design a pre-travel form that includes a question as to whether non-UNM entities will pay for part or all of the proposed travel expenses. As mentioned above, this places the responsibility on MGM employees to inform UNM of third-party reimbursements and helps them to avoid inadvertently receiving double reimbursements. This form could be used to formally pre-approve trips and could be designed to collect the essential information concerning proposed trips (purpose, dates, destination, etc.).

Response from the Chair of MGM

Recommendation 8: Pre-travel information form

UBPPM Policy: 4030

Assessment: Concur with Internal Audit findings

Corrective Action: A departmental travel form has been designed which requests information if there is a 3rd party payment for travel. Each MGM employee traveling will be required to fill travel form.

Implementation date: May 1, 2004