Secretary of State Audit Report

Kate Brown, Secretary of State

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University of Oregon: Payroll Practices Recommendations Follow-Up

Background

In 2013, the Secretary of State Audits Division completed a review of payroll practices at the University of Oregon (university). Our office identified a number of concerns and recommended improvements to the university's payroll practices. Among the concerns reviewed were the use of overtime to circumvent payroll reductions due to state-enforced furloughs and salary freezes, and other adjustments to temporarily increase employees' pay. Our report also identified instances in which managers in academic and research units proposed paying employees for hours they did not work.

Results

Since the release of our report in October 2013, the university has improved payroll practices and its oversight function. We found that management has either addressed or is in the process of addressing all of our recommendations. This report provides the implementation status, as of June 2014, of those recommendations. As this is a follow-up report on previously issued recommendations, we were not required to follow generally accepted government auditing standards. The results of our follow-up work are included in Figure 1 below.

Agency Response

We invited a response from the university to this report and received a reply that they agree to the accuracy of the information and the description of the current situation.

Figure 1: Recommendations to the University of Oregon

Audit Recommendations	Status of Recommendations	Additional Comments
Ensure compliance with the spirit of state-mandated directives.	Partially Implemented- In Progress	The university assigned new management staff to the Institute of Neuroscience (ION) to review and oversee payroll matters and other grant related activity. The new management reports directly to the Office of Vice President for Research and Innovation. Managers, administrators and staff were trained on their payroll processing and reporting responsibilities. The university also implemented changes to its grant administration process. As described below, management is developing additional controls that when completely implemented will resolve this recommendation.
Determine the extent of compensation to employees for time not worked and consider seeking reimbursement of wages not earned.	Implemented	The university hired an accounting firm to analyze whether employees, paid from federal grants, were incorrectly paid overtime or had their effort reported inaccurately. Their analysis of payroll documentation concluded some employees may have been paid for time not worked. The university repaid the federal government for amounts which may not have been worked. University leadership is currently assessing whether it is economically feasible to seek reimbursement of unearned wages from the employees.
Strengthen controls over payroll processing to ensure recorded time is verified, approved, and accurately entered into the payroll system, and adequate supporting documentation is retained.	Partially Implemented- In Progress	In addition to replacing key ION staff and providing training, the university implemented standardized timesheet templates. Use of the templates is mandatory in the ION and timesheets are reviewed by the employee's supervisor. An online certification process for principal investigators has also been developed, which demonstrates they understand their responsibility regarding payroll reporting. Lastly, the university is in the process of implementing a new data warehouse and reporting tool, the Integrated Data and Reporting (IDR) project. When fully implemented the IDR will allow for easier and more readily-available independent verification of financial and payroll data. However, at the time of our review, payroll related reports had not been developed.
Review other identified payroll concerns in order to establish and communicate general expectations regarding compensation, vacation time, and overtime.	Implemented	After all payroll concerns were reviewed, managers, administrators, and staff were trained on their payroll processing and reporting responsibilities, and an online certification process for principal investigators was developed. In order to facilitate accurate recording of overtime and vacation time, the university implemented standardized timesheet templates, which ION employees are required to use; each timesheet is then reviewed by the respective employee's supervisor.

About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of her office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

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The courtesies and cooperation extended by officials and employees of the University of Oregon during the course of this audit were commendable and sincerely appreciated.