

**HR-Finance Transition  
Status Report**

July 27, 2010

MEMORANDUM

TO: Shirley C. Willihnganz  
Executive Vice President & University Provost

FR: Mike Curtin  
Vice President for Finance

Sam Connally  
Vice President for Human Resources

RE: HR-Finance Transition Status Report

Dear Provost Willihnganz –

We are writing to bring you up to date on the HR-Finance transition. As directed by the President and consistent with 2009 Payroll Audit recommendations, the Payroll function has been transferred to Finance Division effective July 1, 2010.

Subject to your concurrence, we propose the collateral recommendations below. In some instances, we have agreed to transfer additional positions or functions to provide for the best alignment of resources to support the Enhanced Financial Management Initiative, as well as support best practices in higher ed HR administration.

- The Payroll function has been transferred to Finance Division and reports to Jason Tomlinson, Assistant Vice President for Finance.

Current Payroll staff perform two discrete functions – Salary Administration (which is a traditional HR responsibility including auditing salary transactions for compliance with University policy, data entry, and data management) and Payroll (which is a traditional Finance responsibility including the actual running of payroll cycles and distributing paychecks & direct deposits to employees).

Our initial planning was predicated on the assumption that we would keep the current Payroll unit intact (to avoid undue disruption in current processes), with these different roles being performed by the same staff members at different times. However, this approach would not effectively address the key findings of the Payroll Audit that:

- controls over payroll processing are inadequate;

- the principles of adequate segregation of duties require that the tasks and associated privileges for processing payroll be disseminated among multiple individuals or units; and
- the ability to (1) create positions, (2) establish employees in the HR/Payroll system, and (3) enter direct deposit information, generate payroll, print checks, and transmit payment information to banks should not be assigned to a single department or individual.

To establish adequate internal controls and provide for the appropriate segregation of duties, we have determined that the Salary Administration function for regular faculty and staff employees should remain in Human Resources (to include responsibility for establishing employees in the HR/Payroll system and processing supplemental salary and x-pays). We have yet to determine whether responsibility for contract, temporary, and student employees should also remain in HR or be transferred with Payroll to Finance Division (since salary decisions for these employees are delegated to the appointing department and do not necessitate HR review). This determination will be made in the next few weeks, together with a decision as to the number of current Payroll employees that will remain in Human Resources to staff a new Salary Administration unit. The Systems Analyst vacated by Richard Brown will be used to recruit a Salary Administration Manager, in addition to current HR data analysis and reporting functions, subject to classification review.

The separation of Salary Administration from Payroll will require an additional 60-90 days to assess individual workload requirements and responsibilities, identify which Payroll staff will remain in Human Resources, recruit the Salary Administration Manager, and train or re-train staff as necessary. The primary objective, of course, is to ensure we transfer these functions in a controlled and deliberative manner. We expect this phase of the transition to be completed no later than December 31, 2010. The Salary Administration unit will report to Melody Fleenor, Director of Human Resources Administration.

- Position Management has been transferred to Finance Division and reports to Susan Ingram Howarth, Director of Budget & Financial Planning.

Integration of Position Management into the regular budget processes of the University is a key element of our Enhanced Financial Management Initiative and will ensure that positions and salaries are authorized in official budgets before being entered to PeopleSoft for payment. Only Position Management (not HR or Payroll) will have the ability to create positions in the HR/Payroll system or increase position budgets, completing the three-pronged segregation of duties recommended in the Payroll Audit. Position Management will also retain responsibility for posting labor distribution expenses to the financial system.

- Human Resources Management Systems (HRMS) has been transferred to Finance Division and reports to Jason Tomlinson, Assistant Vice President for Finance.

The transfer of HRMS to Finance Division was not envisioned in the President's directive or the Payroll Audit, but our assessment during the transition period was that it would be helpful for HRMS staff and Financial Management Systems staff to be assigned to the same division. These two systems units must often work jointly to meet operational and systems development objectives. This change also reflects our assessment and agreement that the institutional officer responsible for Payroll should also exercise direct responsibility for the systems support required to maintain payroll operations.

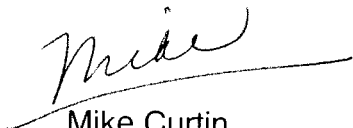
Donna Bartman's title needs to be brought up to date with a change from "Assistant to the VPBA for Information Technology" to "Director of Human Resources Management Systems."

With respect to the allocation of HRMS resources, we are in agreement that payroll-critical issues will always have 1<sup>st</sup> priority for operational support and that, presently, the Enhanced Financial Management Initiative will have 1<sup>st</sup> priority for systems development support. Priorities with respect to future systems development projects will be jointly determined. The VPHR will retain a dotted-line relationship to the Director of HRMS with direct access to and control over both operational and systems development support from HRMS in support of HR functions.

The transfer of Payroll, Position Management, and HRMS to Finance Division, while retaining Salary Administration in HR, will support the Enhanced Financial Management Initiative and implement the primary recommendations of the 2009 Payroll Audit by separating responsibility for creating positions (under Budget control), creating employment records and supplemental payments for regular faculty and staff (under HR control), and processing Payroll (under Finance Division control).

If you concur in these changes, please initial a copy of this memorandum and return to our attention or provide alternative guidance, as appropriate. Thank you.

With all best wishes,



Mike Curtin  
Vice President for Finance



Sam Connally  
Vice President for Human Resources

cc: David Barker  
Bob Cochran  
Susan Ingram Howarth  
Linda J. Wilson

Donna Bartman  
Melody Fleenor  
Jason Tomlinson