

Metropolitan State University Personnel and Payroll

Special Review

Office of Internal Auditing

January 27, 2015



Minnesota
STATE COLLEGES
& UNIVERSITIES

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Members of the MnSCU Board of Trustees
Chancellor Steven J. Rosenstone
Metropolitan State University Interim President Malhotra

This report presents the results of the Office of Internal Auditing's special review of pay issues that occurred at Metropolitan State University in the summer and fall 2013.

We conducted this review in accordance with the Institute of Internal Auditors: *Standards for the Professional Practice of Internal Auditing*.

The results of the special review were discussed with system leaders on several dates. Management's response is presented in the accompanying section of the report.

We appreciate the excellent cooperation and assistance that we received from employees at Metropolitan State University and the human resources division of the system office. In particular, we would like to recognize the efforts of Ginny Arthur, the university's provost. Her efforts to improve the issues are commendable.

Beth Buse, CPA, CIA, CISA
Executive Director

Executive Summary

Background

- In September 2013, the Inter Faculty Organization notified MnSCU leadership and the Board of Trustees that serious problems existed in the accuracy and timeliness of pay to faculty at Metropolitan State University.
- An external review team was convened to review and correct Metropolitan's faculty pay for fiscal years 2012, 2013, and 2014 (to date).
- Internal audit conducted a special review into the issues at Metropolitan and reviewed the work performed by the external review team.

Findings

1. The university sustained significant turnover and the system lacked formalized strategies and resources to provide sufficient oversight to respond to it.
2. The process for paying faculty is overly complex and system office and college and university leaders need to look for opportunities to simplify.
3. Unique practices at Metropolitan contributed to pay errors.
4. Metropolitan's paper-based process for authorizing faculty pay needs improvement.
5. Three areas of the external review team have not yet been completed; leave accrual review, insurance premiums, and pension coding.
6. Internal audits testing approach determined some additional pay errors.

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The audit was led by Marita Hickman and included the following audit staff: Kim McLaughlin, Carolyn Gabel, Craig Fautsch, Indra Mohabir, and Melissa Primus

Section I: Introduction

In early September 2013, the Inter Faculty Organization (IFO) informed Minnesota State College and University leadership and the Board of Trustees that serious problems existed in the accuracy and timeliness of pay to faculty at Metropolitan State University (Metropolitan) for summer and fall 2013 terms. Shortly after system leaders were informed of the issues, a number of critical newspaper articles were published on the pay issues. Upon learning of the issues, the Vice Chancellor for Human Resources took steps to bring knowledgeable staff to Metropolitan to ensure all employees were being paid timely, including appointing an interim chief human resources officer (CHRO), with MnSCU experience, in late September 2013. In addition, the chancellor also requested an internal audit of the situation.

These pay issues exasperated some Metropolitan faculty who had been questioning pay accuracy since January 2012 when an Office of the Legislative Auditor report¹ found two inaccuracies in faculty pay.

As a result of the above issues, the IFO requested a prompt, independent, external audit of the compensation and benefits provided to all Metropolitan faculty for six years. In addition, the IFO requested that faculty be provided sufficient information on their compensation to allow them to monitor their pay.

In November 2013, an understanding was reached between the IFO statewide president and Chancellor Rosenstone that an external review team composed of human resource professionals would conduct a line-by-line review of faculty payroll-related transactions. The review was to encompass all faculty payroll transactions for fiscal years 2012, 2013 and 2014 (to date), including sick leave accrual, insurance premiums, and pension contributions. In addition, a two-part audit process was agreed to. First, the Office of Internal Auditing (internal audit) would audit the payroll transactions reviewed by the external review team, using risk-based sampling methodologies and review the university's payroll processes. Second, the former board chair and the chancellor requested the Office of the Legislative Auditor conduct a review of the accuracy of the audit by internal audit. As of December 2014, the OLA has not scheduled a review of this work.

This report summarizes the work completed by internal audit.

Section II: Internal Audit Objectives and Methodology

The objectives of the internal audit special review were to:

1. Determine the root cause of the calculation errors and timeliness issues. Identify the decisions and actions by university employees that permitted the payroll inaccuracies and lateness to occur, including documenting, to the extent possible, the employees responsible for the decisions and actions and the timing of these events.

¹ The OLA report concluded that the university generally had adequate internal controls over employee pay.

2. Review current internal controls and identify recommendations to help ensure that issues do not occur again.
3. Review the accuracy of compensation to Metropolitan State University faculty for fiscal years 2012, 2013 and 2014, through May 2014, using risk-based sampling methodologies.

The methodology for the special review included:

- Interviewing over 30 Metropolitan and system office employees to determine what went wrong, determine lessons learned, and seek suggestions for lessening the chance of a recurrence.
- Analyzing data, including HR and payroll transactions, and employee turnover information.
- Reviewing supporting documentation, including relevant policies, procedures, training materials, and guidance at both the system office and Metropolitan.
- Selecting a sample, using a risk-based approach, of faculty and non-faculty² to verify the work of the external review team and the accuracy of pay for fiscal years 2012, 2013, and 2014, through May 2014.

The results of the special review were discussed with system and Metropolitan leaders on several dates.

Section III: Issues Resulting in Payroll Discrepancies

Many factors contributed to the errors that mostly impacted faculty pay during the summer and fall of 2013. These factors can be looked at in two overall categories:

Lack of Formalized Strategies to Respond to Employee Turnover: both Metropolitan and the system office had experienced significant human resource (HR) employee turnover. This resulted in a lack of experienced staff to enter and update complex faculty pay transactions at Metropolitan and limited help or oversight from the HR division within the system office. In addition, Metropolitan had also experienced tremendous turnover within academic affairs leadership, relying on interim deans and a new provost for submission and oversight of faculty pay transactions. Finding 1 discusses this in more detail.

Complexity of Paying Faculty: the process for paying faculty within the MnSCU system is complex and varying business practices exist across colleges and universities in how employees are paid. In addition, Metropolitan has unique provisions within the faculty bargaining agreement that add further complexity.

- Finding 2 discusses the complexity and need for simplification. Specifically, it addresses the need for HR professionals to have knowledge of two personnel and payroll systems, several complex bargaining agreements, and an intensive manual process for paying faculty.

² While not part of the initial pay issues, planning interviews determined that a potential existed for pay issues in staff and administrators.

- Finding 3 discusses unique business practices at Metropolitan that contributed to the errors.
- Finding 4 addresses improvements needed to Metropolitan’s paper based process for obtaining and authorizing faculty pay.

1. Metropolitan State University sustained significant turnover in human resources leadership and staff over a short period of time. The MnSCU system lacked formalized strategies and resources to provide sufficient oversight and response to the turnover.

Colleges and universities are responsible for processing employee personnel and payroll transactions. This includes ensuring that appropriate staff are in place to pay employees accurately and timely.

Metropolitan experienced significant turnover in its HR office as well as in academic areas that contributed to pay issues. There was a lack of understanding by Metropolitan leadership of the complexity of personnel transaction processing and the issues that were growing in the summer of 2013. The CHRO had given updates to university and system office administration on the issues but no urgent alarm message was sent – it was more, we have issues but we are dealing with them.

The system office HR division provides training, a help desk function, and guidance to college and university HR offices. The division does not have sufficient resources to provide staffing to colleges and universities who experience turnover in HR offices. If requested, the division will help facilitate a transition plan.

The system office HR division does maintain a “watch list” and Metropolitan was on the list during the summer of 2013. The university was placed on the list due to turnover in staff, the number of repeat questions to the helpdesk, and that remaining staff did not have sufficient training. However, there were no formalized practices that were followed due to being on the “watch list.” A division employee did alert a Metropolitan HR consultant of unusual reconciling³ issues but did not escalate the issue when no improvement was found.

Also, noteworthy, the system office HR division experienced turnover and restructuring in other positions since 2009 when a long term vice chancellor retired and the division experienced significant budget cuts.

Below are details of the employee turnover and the universities response to the turnover.

Metropolitan Turnover: Metropolitan’s HR department experienced turnover in its CHRO position after a long-term CHRO retired in 2009 (Table 2 documents the history of turnover in the CHRO position). It also had five interim or permanent assistant HR directors within the same five years.

³ As discussed in more detail in Finding 2, MnSCU uses two personnel and payroll systems to process payroll. To ensure the two systems are in sync a number of reconciliations must be performed.

**Table 2: Metropolitan State University
Chief Human Resources Officer Employment History**

CHRO	Employment Begin Date	Employment End Date	Prior MnSCU Experience	Direct Supervisor
Permanent #1	July 1984	May 2009	Yes	V.P. Admin Affairs
Permanent #2	May 2009	October 2012*	Yes	V.P. Admin Affairs then President in July 2012
Interim #1	October 2012	May 2013	Yes	President
Permanent #3	May 2013	September 2013	No	President
Interim #2	September 2013	February 2015	Yes	President
Permanent #4	December 2014	n/a	No	President

Source: SCUPPS

* An interim HR director assisted system office from July – October 2012.

Finally, the university experienced significant turnover in dean positions that are essential in determining and authorizing faculty assignments.

Adding further challenges for Metropolitan HR leadership, an assistant HR director from Metropolitan was requested to help a staffing shortage in the system office HR office from July – October 2012.

Then from May 2013 to September 2013, Metropolitan lost all its HR management and transaction level staff. Only three of its eleven employees remained: the administrative assistant to the CHRO and two search and selection positions.

In addition, in September 2012, the employee responsible for processing bi-weekly payroll resigned.

Response to Turnover:

- During the fall 2012, Metropolitan set up an agreement with Minnesota State Community and Technical College (M State) through the Campus Services Cooperative (CSC) to complete its payroll processing, including reconciling. Metropolitan was the first four year university to have its payroll processed offsite.

In January 2014, Metropolitan moved offsite payroll processing from M State to Minneapolis Community and Technical College (MCTC).

At both M State and continuing at MCTC, issues exist related to timely completion of reconciliations and resolution of reconciling items.

- In June 2013, the CHRO contracted with two HR professionals from outside MnSCU to help manage the office.
- Metropolitan contacted another MnSCU university in June 2013 for assistance, but due to timing of the request, that university was not able to help. There were other conflicting

statements about whether the university had requested or declined system office help. Regardless of how it happened, Metropolitan did not have experienced or adequately trained staff during a busy time; when faculty assignments are entered, steps are given, new hires are entered, and promotions and contract implementations are completed.

- Metropolitan hired a temporary employee in July 2013 to complete HR transactions. The individual had experience with the State of Minnesota’s HR system but did not have experience with MnSCU or its HR system. System office HR staff provided one-on-one training for a ½ day and the next day the individual “trained” other Metropolitan HR staff, who had no MnSCU HR transaction experience. At that point, it was “all hands on deck” to get HR transactions entered and faculty paid. Some of these staff said they were very uncomfortable doing this, but were told that it was “just data entry,” or hesitated to voice their concerns for fear of not being perceived as being part of the team and part of the solution.
- On July 30, 2013, the former Metropolitan president sent a letter to all faculty regarding turnover in the HR office and the summer pay errors that some faculty were experiencing. The letter informed faculty that the HR office was moving quickly to fill vacant positions and thanked them for their patience and understanding.
- In August 2013, the provost set up an e-mail account specifically for Metropolitan employees to send questions or concerns related to pay or benefit issues.

It is important to note that while significant improvements have occurred in HR staffing at Metropolitan, the university is still in a state of transition within HR. A permanent CHRO began employment in late December 2014.

Recommendations

- *System office and college and university leaders need to develop strategies to ensure continuity of operations when a college or university sustains significant turnover in human resources. Potential strategies could include:*
 - *Develop common business practices across all institutions for processing personnel and payroll transactions.*
 - *Consider improvements to MnSCU’s HR system and payroll processing, including development of more automated tools and processes, standard forms, additional edits and increasing the frequency of interfaces to the State of Minnesota’s HR system.*
 - *Establish a formalized team, made up of college and university personnel and payroll experts that could be called upon when an institution suffers a staffing loss.*
 - *Consider expanding the CSC to provide systemwide HR transaction processing.*
- *The system office should evaluate what oversight should occur when a college or university sustains significant turnover.*
 - *The chancellor should consider what authority the system office has over colleges and universities when alerts are raised and issues arise.*

- *The system office should formalize on-boarding processes and mentoring for HR leaders and staff at colleges and universities.*
- *Metropolitan and the CSC should ensure that payroll reconciliations⁴ are completed timely and that roles and responsibilities are clearly defined in service level agreements. Consideration should be given to monitoring work and escalation processes when work is not completed timely.*

2. The process for paying faculty is overly complex and system office and college and university leaders need to look for opportunities to simplify.

Paying faculty is not as simple as entering an annual salary amount and dividing by the number of pay periods within a year. The process includes two HR systems, complex bargaining agreements, system guidelines, individual policies that define pay practices, and varying business practices for determining, authorizing, entering, and reviewing pay transactions. In addition, Metropolitan has unique provisions within the IFO faculty bargaining agreement that add further complexity.

Personnel and Payroll Systems: each college and university is responsible for managing and processing personnel and payroll transactions. HR employees need to be knowledgeable on two HR systems:

- State Personnel and Payroll System (SEMA4) - is the State of Minnesota's human resource, payroll and benefits system and is managed by the Department of Minnesota Management and Budget. MnSCU is required to use this system to pay employees. SEMA4 is primarily used to calculate gross pay, determine employer contributions, and process employee deductions for taxes, FICA, retirement, and insurance. In addition, SEMA4 generates direct deposit transactions out of the state treasury to employee bank accounts. MnSCU employees also use the system to view their pay, benefits, and make changes to benefits during open enrollment periods.
- SCUPPS - is the HR system that the system office ITS division manages which interfaces with the SEMA4. SCUPPS is one of many modules within the Integrated Student Record System (ISRS). SCUPPS contains employee demographic data, employment history, detailed assignment transactions, and salary information.

Non-faculty employees are entered into SCUPPS when hired and adjustments made occasionally (usually yearly) for bargaining agreement settlement amounts, step increases, promotions, and other limited circumstances. For faculty, in addition to the adjustments listed above, detailed work assignments are entered into SCUPPS using various data fields for a corresponding time period (academic year, term, or summer).

⁴ Internal audit issued a report in June 2012 that stated that payroll reconciliation processes were inefficient and recommended that the system office should work with institutions to develop exception reports to identify transactions that warrant further review. This is an outstanding audit finding.

It is the responsibility of colleges and universities to grant employees SCUPPS access based on job responsibilities and to ensure employees have adequate knowledge when obtaining access. The system office HR division does offer a training class on SCUPPS transaction processing and has overview web-based training videos available on their website. However, these training options only provide an introduction and use simple employee transaction examples. They are not sufficient for new HR staff to accurately process complex faculty work assignment transactions without additional help. The HR division also runs a SCUPPS helpdesk, staff are available to answer questions and provide additional training to college and university HR staff when requested. Additionally, a SCUPPS training manual and other documentation are available on the HR division website for users.

SCUPPS and SEMA4 are interfaced on specific days within a two week payroll cycle. If an interface is missed campus HR staff are able to directly access SEMA4 to enter data in order to get employees paid. However, employees are generally discouraged by system office staff to directly enter transactions into SEMA4. To keep SCUPPS and SEMA4 in sync and to ensure payments are processing as expected, several payroll reports need to be run and reconciled. These reconciliations are typically conducted by payroll staff but often include working with HR transaction staff to resolve reconciling items.

One issue that resulted in some payment issues at Metropolitan related to SEMA4 codes that were not entered into SCUPPS for the bulk of the community faculty for the fall 2013. Reports are available to detect this issue; however, they were not run timely at Metropolitan.

Finally, a common complaint by faculty was that they were not able to determine when and whether specific work assignments had been paid. SEMA4 does not have the functionality to show multiple pay descriptions when employees view their pay. Since the concern arose at Metropolitan, the system office ITS Division, developed a new report within SCUPPS that documents work assignments and the pay period(s) paid; all employees have access to view this report.

Recommendations

- *Long-Term Consideration: the system office should evaluate moving to one personnel and payroll system. One consideration would be to consult with MMB to determine if SEMA4 could be upgraded to meet MnSCU's needs. SEMA4 is a purchased application, which is from a known vendor in the higher education application sector.*
- *The system office should expand SCUPPS training, specifically, formalized training is needed for processing complex faculty work assignments.*
- *The system office should consider certifying a skills level before institutions grant access to SCUPPS.*
- *Colleges and universities should ensure that SCUPPS and SEMA4 security access is only granted to adequately trained employees.*

- *Prior audit finding not resolved⁵: The system office should streamline the locations of HR and payroll guidance and documentation.*

Bargaining Agreements: Each college and university is responsible for managing up to 12 bargaining agreements. The largest university employee group is faculty whose employment provisions are detailed in the Inter Faculty Organization (IFO) Master Agreement (IFO agreement). The IFO agreement is an extensive document and contains several articles with numerous provisions that establish requirements for compensating faculty. In addition, the IFO agreement contains unique provisions for compensating Metropolitan faculty to accommodate differences in how the university accomplishes its academic mission. Appendix A contains common terms related to faculty compensation.

Universities are responsible for implementing the IFO agreement. Outside of the IFO agreement language, there is minimal written guidance on how to interpret and implement the agreement. There are some situations where the contract language seems clear but where flexibility is still allowed in implementing the agreement (e.g. doctoral classes getting more than the graduate equivalency and off-campus graduate classes getting lump sum payment for travel time). HR division management stated that the IFO agreement allows flexibility for management in how they compensate faculty. The system office HR division had not developed or provided any formalized training for HR staff, deans, or chief academic officers on implementing the IFO agreement. The system office HR division does do training sessions at conferences and workshops when the IFO agreement is renewed to walk through changes. While universities need to be reasonable in compensating faculty for additional work beyond their base salary, it is important that this compensation be consistent and fair.

The IFO agreement contains flexibility for universities in determining faculty workload. The agreement essentially has no limits on how much overload a faculty can have, as long as it is agreed to by the faculty and the designated university approver. There are soft limits on how many course credits can be taught, but not on other types of overload. What workload is included in a faculty member's base salary – whether it is courses or alternate assignments - is also up to the university's process. Overload pay can be based on duty days or be credit based; there is a difference in pay depending on which option is used.

In an attempt to control university faculty workloads, the system office began requiring assignments in excess of 224 duty days be authorized by the Vice Chancellor of HR. An internal audit completed in 2006 and again in 2012 found that using 224 duty days as a control for faculty assignments was not an effective control since it does not include some assignment types. Limited changes have been made to this guidance.

Recommendations

- *Long-Term Consideration: system and university leaders should look for opportunities to clarify and simplify provisions within the IFO agreement.*

⁵ Internal Audit issued a report titled State University Personnel and Payroll in June 2012. The report contained several recommendations that management is still addressing.

- *The system office should develop and provide training on the IFO agreement for new and interim university employees, including provosts, deans, and HR staff, to help ensure accuracy of implementation.*
- *Prior audit finding not resolved: The system office should provide universities written guidance regarding common practices and interpretation of workloads and assignments.*
- *Prior audit finding not resolved: The system office should work with the universities to re-evaluate the 224 duty day requirement to determine if a more effective and inclusive measure exists to monitor and control faculty workloads.*

Process for Paying Faculty: Individual colleges and universities are responsible for developing and implementing procedures for paying faculty, including forms and processes for getting faculty information into SCUPPS. The system office HR division provides SCUPPS training, guidelines, and a help desk to aid colleges and universities.

Full-time faculty are paid based upon a base salary and, if authorized by a university approver, overload pay agreed to by the faculty member. Each university needs to design a process for granting assignments to individual faculty members. The process needs to include obtaining appropriate authorization prior to the assignments being entered into SCUPPS. Table 1 includes a sample faculty member’s assignments for a fiscal year.

Table 1 – Sample Annual Metropolitan Resident Faculty Assignments						
Assignment Code	Category	Date	FTE	Credits	Duty Days	Paid Salary
Primary Assignments						
2101 – Instruction	10	8/18/14 – 5/8/15	.375	9	63	\$22,500
2200 – Advising	10	8/18/14 – 5/8/15	.125	0	21	\$7,500
2206 – Dept. Chair	10	8/18/14 – 5/8/15	.333	0	56	\$19,980
2204 – Instruction Other	10	8/18/14 – 5/8/15	.167	4	28	\$10,020
Total Paid Primary Assignments (base salary)			1.000		168	\$60,000
Additional or Overload Assignments						
2112 – Overload Instruction	20	8/18/14 – 12/16/14	.042	1	7	\$1,350
2128 – Independent Study	20	8/18/14 – 12/16/14	.014	0	0	\$1,190
2217 – Prior Learning	20	8/18/14 – 12/16/14	.002	0	0	\$140
2230 – Extended Chair	20	7/1/14 – 8/16/14	.083	0	14	\$4,980
2117 – Summer	30	5/10/14 – 8/16/14	.333	8	70	\$10,800
Total Paid Additional Assignments						\$18,460
Total Paid All Assignments						\$78,460
<p>Note: The sample is an auditor illustration of typical Metropolitan faculty assignments and is not illustrative of actual documents or SCUPPS screens. Metropolitan has unique contract language and this would not be a reflective sample at another university. Also, additional details are associated with assignments that are not shown.</p>						

Faculty assignments are primarily based upon credits or duty days. The assignments are entered into SCUPPS using a data field called “assignment type code.” There are over 35 different assignment type codes used to differentiate the reasons faculty members receive compensation, including: instruction, extra duty days, academic advising, summer instruction, and graduate instruction. SCUPPS has various fields that are required to be completed based on specific assignment type codes, including: number of duty days, credits and full-time equivalency (FTE). For example, an employee may be assigned chair duties at 0.75 FTE for 168 duty days. A chair assignment would not contain a credit hour assignment; but an instructional assignment would require credit hours, FTE, and duty days. The distinction of whether an activity should be coded as a duty day or credit activity is not clear for all assignments. In the review of Metropolitan faculty assignments, internal audit found that inconsistencies existed in what was recorded for similar assignments.

Different record numbers are used within SCUPPS for the same faculty member. Summer session and the academic year assignments need to be set up on separate records for insurance purposes. Because of how insurance is paid during the academic year with a balloon amount at the end of the academic year for the summer term, it is important to use the right record number when setting up assignments. Other record numbers may be set up for reasons such as an employee with a grant assignments. An issue that resulted in pay and benefit errors at Metropolitan was that some faculty assignments were put on incorrect record numbers.

University HR offices have relied on academic areas to ensure that faculty teach the credits they are paid to teach. Course data such as course name, subject and section, credit hours, and faculty teaching the course are entered into an ISRS module. However, this module does not interface with SCUPPS. Therefore, HR offices are unable to use this data in an automated way to assist in their work, such as validating overload pay. A new ISRS report, which has been in development for a couple of years, is available to help assist colleges and universities in verifying faculty workload assignments to instructor course credit information. Additional ISRS functionality is in development to automate and provide edits for colleges and universities in developing faculty assignments.

Until recently, with the development of the CSC, each college or university was responsible for processing its own payroll. The CSC has begun to facilitate consolidating of payroll processing in two locations; however, these locations only complete specific payroll activities and do not enter or process employee assignments.

Recommendations

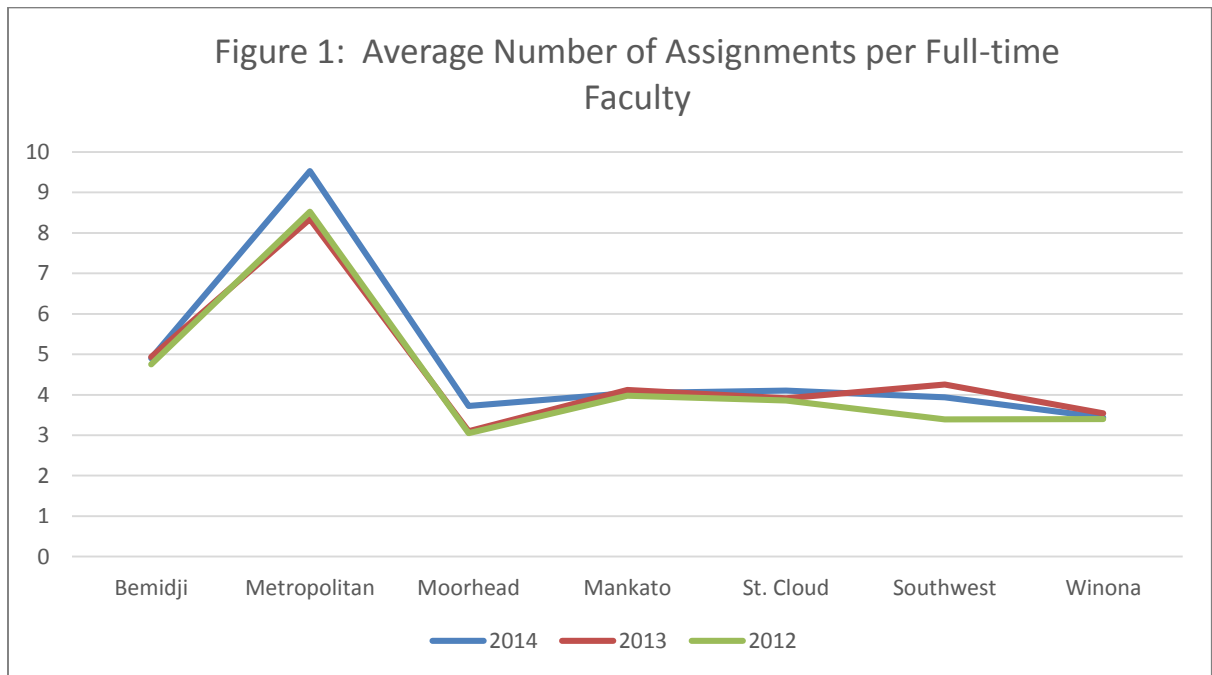
- *The system office should work with colleges and universities to simplify data entry requirements for faculty assignments by determining what information is needed for contract compliance and reporting needs.*
- *Prior audit finding not resolved: The system office should have more written guidance on workloads, credits, reassigned time, duty days or other criteria, such as FTE's for assisting universities in management and oversight of faculty assignments.*

- *Metropolitan should ensure that faculty assignments are consistently recorded in SCUPPS.*

3. Unique practices at Metropolitan State University contributed to pay errors occurring.

Due to unique faculty staffing practices and special provisions in the IFO agreement related to Metropolitan’s resident faculty, Metropolitan, on average, has significantly more assignments per full-time (resident) faculty than the other six universities, as illustrated in Figure 1. This assignment volume adds additional complexity and work to Metropolitan academic and HR offices.

- Metropolitan employs significantly more community faculty than resident faculty; the IFO agreement allows this practice but it differs from the other six universities. In fiscal year 2014, there were approximately 174 resident faculty and 640 community faculty at Metropolitan. This arrangement grew out of Metropolitan’s origin in 1971 as an upper division university offering bachelor degrees for working adults. This results in Metropolitan resident faculty having different assignments than the other six MnSCU universities. For example, Metropolitan faculty often have a separate assignment for student advising which reduces their teaching load, where this is considered part of normal workload for faculty at the other universities. These differences make it more difficult to compare practices and share HR staff from the other universities.



Source: ISRS SCUPPS data

- The start of each semester may result in changes to resident faculty assignments as courses are added or cancelled. Metropolitan has these changes to make at the same time as completing assignments for the large number of community faculty, who may be new each term.

Although community faculty assignments are not as complex as resident faculty assignments the large volume needs to be completed in a short amount of time to ensure faculty are paid timely.

- Metropolitan has some unique IFO agreement language in which faculty are paid for alternative learning strategies. At other universities, these are typically included as regular academic activities and are not compensated separately.
- Metropolitan has a practice of entering future assignments, such as grant work or independent studies as an encumbrance in SCUPPS – where the final payment is based upon another approval document that may authorize the encumbrance amount, a different amount, or decline to pay the amount. Other universities enter these type of assignments only when they are paid.
- Around 2011, Metropolitan began entering faculty assignments differently - each assignment code on a separate assignment sequence. Normally, the primary assignment is on one assignment sequence that has multiple assignment codes. The reason for this change is not clear – it is thought this was requested by either the university’s financial management office or institutional research office in order to do some cost studies for a certain program. Entering multiple sequences for a primary assignment can lead to calculation errors.

Recommendations

- *Long-Term Consideration: System office and university leaders should evaluate whether Metropolitan’s unique provisions in the IFO agreement are still relevant given changes occurring within higher education and Charting the Future efforts.*
- *Metropolitan should consider other avenues for encumbering budgets for alternative learning strategy assignments and enter those assignments into SCUPPS only when ready to pay.*
- *Metropolitan should enter the primary assignment on one sequence with multiple assignment codes.*

4. Metropolitan State University’s paper-based process for authorizing faculty pay needs improvement.

Metropolitan has had a largely paper based process for obtaining faculty assignments. Paper forms were completed by the various academic areas and approved by deans. The forms include faculty assignments that are part of load and also include overload assignments, with additional pay. These forms were sent or dropped off with the HR office receptionist, who then routed the forms to HR staff who entered transactions into SCUPPS. Since 2011, Metropolitan has had five different HR receptionists. Due to the number of transitions, there were issues with paper forms being misplaced or lost which resulted in academic areas needing to send forms more than once. Beginning with the summer 2014 term, the approval process changed to include the provost’s approval of all overload. This sometimes resulted in paperwork coming from an academic department and the provost’s office for the same faculty member.

Academic areas also were responsible for revising workloads for course changes or other activities that came up and sending revisions to HR. The revised workloads were not clear on what had changed. Some of these revisions included crossing out and writing in new assignments and some were just a workload with a revised date. The university had a notification system called ICR, in which changes to courses or instructors was communicated to various areas of the university. However, it was mentioned that this process resulted in an overwhelming amount of paper, since it also included items such as a change in the classroom.

Metropolitan's written procedures regarding faculty assignments did not align with actual practices. In addition, written procedures were incomplete and did not address issues such as giving extra workload credits for some course situations. The provost is currently working on updating written procedures and forms.

Recommendations

- *Metropolitan should ensure that appropriately authorized and clear documentation exists to support faculty assignments.*
- *Metropolitan needs to ensure written procedures are updated to reflect actual practices and are in compliance with the IFO Agreement.*

Section IV: External Review Team

Objective of Review Team

An external review team, under the leadership of the Vice Chancellor for Human Resources, was charged with conducting a line-by-line review of all resident and community faculty payroll related transactions. The review was to encompass all faculty payroll transactions for fiscal years 2012, 2013, 2014 (to date), including sick leave accrual, insurance premiums, and pension contributions.

The team's primary focus was to analyze faculty pay, and not analyze or make recommendations on the process.

Team Members

The review team was initially designed to be independent from Metropolitan. The original team consisted of a former labor relations administrator, an HR Manager with experience from a variety of organizations, two system experts, and a retired HR specialist from another university. It was later determined that additional technical assistance was needed and two former payroll transaction employees from Metropolitan were added to the team. Additional oversight was added to the review process to mitigate the risk of the transactional employees reviewing their own prior work. Finally, an administrative support person was added to the team.

To help with communication, a Metropolitan faculty member was appointed by the IFO to the team to be a liaison with the faculty and completed weekly status updates.

Methodology

The review team identified over and under payments for each faculty member by tracing assignments in SCUPPS to source documents such as workloads, roster/invoices, PEARs or other supporting documents. The team would then contact the faculty member, notify them of the results, and meet with them, if requested. Adjustments were made to SCUPPS to either pay or recover the overpayments.

The team reviewed gross salary amounts and did not review benefits or net paycheck amounts. In addition, the team did not normally review instructor course loads as they had determined that they could not rely on them.

Summary Results:

The review team began their review in November 2013 and completed in June 2014. The team reviewed over 850 faculty members pay transactions for three years. In some cases, a complete review of fiscal year 2014 transactions was not completed since the review was taking place during fiscal year 2014. Table 3 includes a summary of the adjustments made as a results of the review team’s work.

Table 3: External Review Team Summary Results as of June 6, 2014

	Community Faculty		Resident Faculty		Total Amounts
	Number	Percentage	Number	Percentage	
Overpaid	40	6%	84	40%	\$307,130
Underpaid	13	2%	61	30%	\$135,714
No Adjustment	602	92%	63	30%	-
Total	655		208		

Source: Review team summary as of June 6, 2014

Overall, the review team found a significant number of errors in faculty compensation, primarily in resident faculty. As expected, the pay errors were concentrated in fiscal year 2014 with \$254,120 in overpayments and \$106,291 in underpayments. Net underpayments were paid to faculty in fiscal year 2014. Net overpayments were primarily paid back in fiscal year 2014, however, in some cases, depending on the total amount owed, a negotiated payment plan may have extended payments into the future. There were a few faculty who did not agree to the repayments and Metropolitan is pursuing collection on those.

5. Three areas of the external review team have not yet been completed; leave accrual review, insurance premiums, and pension coding.

The initial objective of the team was to include a review of sick leave accruals and insurance premiums. The team was disassembled prior to these reviews being completed.

Finally, system office human resource staff, in consultation with Metropolitan, reviewed pension coding and determinations. Staff are still finalizing this review with the retirement association on whether any pay errors resulted in impacts to pension amounts.

Recommendations

- *Metropolitan and the system office should determine what additional reviews need to be completed for leave accruals and insurance premiums.*
- *Metropolitan and the system office should ensure that the review of pension coding and determinations is finalized.*

Section V: Internal Audit Testing

Overall, internal audit was impressed by the work of the external review team and the enormous effort that was undertaken to review all faculty pay transactions. The work was exceptionally complex, tedious, and time consuming.

Testing Methodology:

The testing methodology used by internal audit was similar to the review team approach but also included a comparison of instructor course load reports from ISRS (these reports list the courses a faculty is teaching and the course credit amount) to instructional assignment credits recorded in SCUPPS. In addition, internal audit also tested for compliance to the IFO agreement. While the review team completed a review of all resident and community faculty, internal audit selected a sample using a risk based approach. The sample included 28 resident faculty and 14 community faculty. The faculty tested by internal audit included faculty that would have been most prone to errors in their pay, including those that the review team found the most number of errors and had the largest dollar amount errors. For example, one faculty tested had 47 assignments for just fiscal year 2014. In addition, 16 non-faculty employees were reviewed to provide assurance on the accuracy of payroll for all Metropolitan employees.

6. Internal audits testing approach determined some additional pay errors and processes needing improvements.

For faculty tested, where methodologies were similar, the audit confirmed the results of the review team except for three isolated differences: one resident faculty was overpaid \$1,224 in FY14 when both salary and fringe were paid as salary to the faculty member. In addition, one community faculty member was overpaid \$880 due to a review team adjustment error. Finally, a resident faculty member was underpaid \$42 because an independent study invoice was not paid.

In addition, internal audit identified payment errors as a result of differences in testing approaches compared to the review team. We found that sometimes SCUPPS assignments were not reflective of actual assignments and activities, were not updated for changes, or did not include all the various payment sources available for Metropolitan faculty. Table 4 includes a summary of the

errors. Details of the payment errors were reviewed with and provided to Metropolitan and system office HR staff.

**Table 4: Audit Results Summary
Payment Errors Due to Methodology Differences**

	Overpaid	Underpaid
Payment errors found when comparing course information in ISRS to SCUPPS workload assignments.	3 Faculty Total of \$13,547	6 Faculty Total of \$9,682
Payment errors found after consulting with deans or other staff in specific academic areas to get clarification.	1 Faculty Total of \$4,704	2 Faculty Total of \$1,554
Payment error for not converting a community faculty to part-time salary schedule when the 10 credit cap was exceeded.	none	1 Faculty Total of \$447*
Payment errors found that occurred after review team concluded their review of faculty member.	2 Faculty Total of \$893	none

*Estimated, the university will need to evaluate and place on salary schedule.

Internal audit did not identify any issues with non-faculty payroll.

Internal audit also noted that Metropolitan procedures were outdated or lacked guidance for several payments tested. After much discussion with system office labor relations staff, it was determined that the flexibility in the IFO agreement allowed for the payments made; however, without clear, accurate guidance, it is difficult for academic and HR staff to provide oversight and consistency for payments made.

Finally, internal audit found a number of technical issues that did not directly affect amounts paid to faculty during testing. These issues were separately communicated to Metropolitan and system office staff and included cost center errors, incorrect assignment codes and dates, and excessive duty days.

Recommendations

- *Metropolitan should make adjustments for the additional payment errors noted.*
- *One specific area where pay errors were discovered due to methodology differences between the review team and internal audit was for independent study and alternative learning strategy courses. Metropolitan should review details for these courses for fiscal years 2012, 2013, and 2014 to determine if other pay adjustments are warranted. In addition, Metropolitan should review payment processes over these courses to ensure faculty are accurately paid.*
- *Metropolitan should develop procedures to ensure that faculty course workloads are in sync with information contained in academic systems. The new ISRS report designed to assist*

colleges and universities in verifying faculty workload assignments to instructor course credit information should be a helpful tool.

- *Metropolitan procedures should be updated to accurately reflect current payment practices. In addition, Metropolitan should develop guidance on payment types where flexibility is allowed to ensure accuracy in consistency in how faculty are paid.*

Section VI: Management's Response
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Management responses follow:



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January 22, 2015

Board of Trustees
Chancellor Steven J. Rosenstone
Minnesota State Colleges and Universities

This letter represents the written response of Metropolitan State University (“Metropolitan”) and the system office Human Resources division (“HR division”) to the Special Review conducted by the Office of Internal Auditing (“OIA”), dated January 27, 2015, concerning faculty pay issues that occurred at Metropolitan State University in the summer and fall of 2013. More specifically, an external review team was convened by the HR division to review and correct Metropolitan’s faculty pay for fiscal years 2012, 2013, and 2014 (to-date). Internal audit conducted a special review into the issues at Metropolitan and reviewed the work performed by the external review team (“ERT”).

Set forth below is a recitation of each OIA finding stated in the Review, and the response of Metropolitan, the HR division, or both, as applicable.

Finding 1 – The University sustained significant turnover and the system lacked formalized strategies and resources to provide sufficient oversight to respond to it.

Metropolitan State University

We concur with the recommendations concerning the development of systemwide strategies to ensure continuity of operations due to personnel turnover, and the formalization of onboarding processes and mentoring for HR leaders and staff. Until such time as the onboarding and mentoring processes can be established by the system office for new HR leaders and staff, Metropolitan State University has requested the interim chief human resource officer (CHRO) stay on for an additional two months to help with the onboarding of the newly appointed CHRO and the continuation of training of the HR staff.

Metropolitan State University HR and the Campus Service Cooperative (“CSC”) are working hard to ensure that the payroll reconciliation is accomplished in a timely manner. Additionally, the Metropolitan State University Assistant HR Director has

been charged with the bi-weekly monitoring of this process to ensure its timely completion.

System Office Human Resources Division

The HR division agrees with the need to develop additional strategies to ensure continuity of operations when there is significant staff turnover in the human resources operation at a college or university. The development of common business practices for processing personnel and payroll transactions is an essential and effective strategy to ensure our colleges and universities have the ability to assist one another when an institution suffers a debilitating staffing loss.

The largest systemwide effort on common HR business practices to-date is the CSC payroll project, which is nearly complete. Implementation efforts have begun at the payroll hub level, and will be implemented by campuses processing their own payroll in the coming months. Expanding shared services opportunities to provide regionalized HR transaction processing is currently being explored by Charting the Future implementation teams. Additional standardization efforts are underway, the most significant being the Faculty Assignment Management Automation (FAMA) project. (See Finding 2 under Personnel and Payroll Systems.)

The report suggests improvements to SCUPPS by increasing the frequency of interfaces to SEMA4. We do not have the ability to control the frequency of interfaces. Such changes would require the commitment and approval of the State's department of Minnesota Management and Budget. However, plans are underway to expand current training efforts and add to our documented guidance to campuses that outline events warranting an immediate need to make a correction directly in SEMA4 in order to avoid a payroll error.

The report suggests establishing a formalized team to assist campuses in crisis. This effort is currently on the HR annual work plan. The HR division recently hired a management analyst to, among other tasks, facilitate this project. This position will be responsible for keeping a current list of available subject matter experts, their area of expertise, and availability for onsite or remote assistance. In addition, since fall of 2013, regular efforts have been made to raise awareness of CHROs on the need to contact the system office and seek assistance immediately upon experiencing issues that could negatively affect their campus or the system.

The report suggests that the system office should evaluate what oversight should occur when an institution sustains significant turnover. The recognized MnSCU system culture is one of strong campus autonomy. Nonetheless, the HR division is prepared to assist when asked and has worked hard to cultivate healthy professional relationships with our campus colleagues. Regular communication with CHROs and other campus HR professionals is key to ensuring assistance is engaged early in dealing with staffing shortages, etc.

The report suggests the system office formalize onboarding processes and mentoring for HR leaders and staff at our colleges and universities. Currently, there is a day-long orientation process for all new CHROs and informal mentoring relationships. Efforts will be made to develop a more robust orientation process for CHROs during the first six months of their tenure, with ongoing professional development, including support for acquiring Society for Human Resource Management certification. The HR division is also in the process of establishing the HR Academy for HR staff systemwide. (See Finding 2 under Personnel and Payroll Systems.)

The report highlights the need to ensure Metropolitan State completes payroll reconciliations in a timely manner. The HR division has provided monthly reconciliation workshops to assist in this effort.

Finding 2 – The process for paying faculty is overly complex and system office and college and university leaders need to look for opportunities to simplify.

Metropolitan State University

We concur with and would welcome the recommendations concerning moving to one personnel and payroll system, the expansion of formalized SCUPPS training for the HR staff, and skill level certification prior to full access to SCUPPS. Metropolitan State University has already made the determination that the new CHRO will not be granted full access to SCUPPS until she has accomplished an appropriate level of training.

The University would benefit from written documentation from the system office Labor Relations staff clarifying the workload provisions within the IFO agreement, especially those areas which are specific to Metropolitan State University. Institutions would also benefit from increased staffing in Labor Relations to ensure that the appropriate documentation is developed and regular training can be offered on bargaining unit agreements. With a large annual turnover of Academic Affairs and HR leadership systemwide, the need for regular training is critical.

Metropolitan State University Academic Affairs staff has already begun using the report that has been developed as part of the FAMA project. Both the Academic Affairs and HR staff look forward to the faculty assignment automation that is being rolled out over the next few months as this will help solve our concerns surrounding paperwork flow between AA and HR.

Metropolitan State University HR staff is working very closely with the Provost and Academic Affairs staff to ensure that the proper coding is being used consistently for all assignments.

System Office Human Resources Division

The HR division agrees the process for paying university faculty is complex and an opportunity exists for improvement in the areas of technology, process standardization and documentation, and training for HR staff and managers and supervisors.

Personnel and Payroll Systems. The auditor suggests evaluating the feasibility of moving to one personnel and payroll system, i.e., SEMA4. While there is a strong desire to move to a single IT platform, past analysis of such an effort determined this to be cost-prohibitive. Moreover, such a transition would have necessarily involved the loss of assignment data specific to MnSCU's unclassified staff because SEMA4 primarily caters to hourly-based classified employees. The unclassified staff comprise approximately two-thirds of MnSCU's employee complement. As a result, this loss of detailed assignment data is unacceptable. However, there have been significant strides made to better integrate with SEMA4 in the areas of applicant tracking, new employee onboarding, and the employee learning management system. Therefore, further exploration of payroll transaction integration in SEMA4 is desirable and will be added to the FY16 HR work plan.

The most notable effort currently underway to improve the process for paying faculty is the FAMA project. This is a systemwide, collaborative effort between HR, IT, ASA and Finance to fully integrate and automate faculty assignment transactions from the course schedule for all colleges and universities. FAMA will remove manual steps, eliminate dual-entry of data, reduce errors and greatly decrease labor costs. It will also position our institutions to move more easily toward a shared services environment.

To address the need for more formalized training and ensure competency for processing complex faculty assignments, the HR division is now engaged in developing an HR Academy, which is expected to be operational in FY16. The Academy will provide extensive transactional training to the MnSCU HR community and will include evaluation components. Access to the SCUPPS/SEMA4 systems will only be granted to those individuals who have demonstrated the appropriate level of competency to process HR transactions.

To address a prior audit finding of streamlining the location of HR and payroll guidance and documentation, the HR division and supporting ITS development team are working together to ensure that only one version of such documentation exists. The HR division is also currently in the process of migrating all documentation, user guides, and step-by-step instructions to MnSCU Connect, a systemwide SharePoint site. The SharePoint platform includes enhanced search functionality.

Bargaining Agreements. The report suggests that system leaders look for opportunities during labor negotiations to simplify the provisions within the IFO agreement. This suggestion may be difficult to reconcile with campus input concerning bargaining priorities. Additionally, simple, broad contract provisions will likely produce increased reliance on case specific interpretations, as is the case with statutory provisions. Simple contract provisions are likely to be counterproductive to reaching a goal of wide-spread and uniform understanding of the applicable labor agreement. We agree, however, on the need to develop a standard repository of accessible guidance on bargaining agreement provisions, e.g., written guidance on common themes and frequently asked questions regarding common practices. Labor Relations will look to incorporate this goal into future work plans. Additionally, newly

developed contract training efforts began in summer 2014, and will continue to be offered and expanded.

The report highlighted the need to address a prior audit finding of re-evaluating the 224 duty day requirement and to determine if a more effective and inclusive measure exists to monitor and control faculty workloads. The HR division is currently working with ASA on this finding, including discussions to consider repealing the 224 duty day requirement guideline. In the meantime, a new list of assignment codes have been developed to help campuses identify assignments that count toward the cap. We are also looking at developing a standard report that campuses can run to help identify faculty who are at or near the cap, assuming the 224 duty day requirement remains in effect.

Process for Paying Faculty. We agree there is a need to simplify data entry requirements for faculty assignments, and, to the extent possible, plan to reduce the number of assignment type codes available. Written guidance will be provided as part of the FAMA project.

Finding 3 – Unique practices at Metropolitan contributed to pay errors.

Metropolitan State University

Metropolitan State University HR staff has already stopped the former practice of encumbering alternative learning strategies, and now only enter those assignments when they have been approved for payment by Academic Affairs.

Metropolitan State University HR staff has already instituted for FY15 the practice of limiting the primary assignment record sequences.

We concur that system leaders should look for opportunities during labor negotiations to simplify the provisions of the IFO agreement. However, this approach should be carefully evaluated with the leadership of Metropolitan State University because it is essential that we continue to offer the unique learning environments which support the academic direction of Charting the Future.

System Office Human Resources Division

The HR division agrees the unique provisions of the IFO agreement and outdated local practices at Metropolitan contributed to pay errors. MnSCU Labor Relations is committed to leading a bargaining team discussion on the continuing relevance of the unique Metropolitan provisions in the Agreement and will ensure that Metropolitan's perspectives on the value and function of these provisions are well represented in the course of that discussion.

Finding 4 – Metropolitan’s paper-based process for authorizing faculty pay needs improvement.

Metropolitan State University

With the rollout of the systemwide FAMA project over the next six to twelve months, we expect that our current paper process of transmitting workload information between Academic Affairs and HR will predominately be eliminated. Until full implementation occurs, Metropolitan State University HR staff is ensuring that they are only processing assignments that have the proper documentation and authorizations, and are in compliance with the IFO agreement.

The written procedures have been updated.

System Office Human Resources Division

As indicated earlier in this audit response, the HR division is engaged in a number of projects aimed at automating and streamlining faculty pay processing.

Finding 5 – Three areas of the external review team, leave, insurance premiums, and pension coding and determination have not been fully completed.

Metropolitan State University

Metropolitan State University HR staff has already reviewed leave accruals, insurance premiums and pension coding, and await further guidance from the system office on these areas of review. As employees leave the University, their leave is being re-audited to ensure accuracy.

System Office Human Resources Division

The HR division agrees with the need to continue the review of leave accruals for faculty who were paid incorrectly. Metropolitan HR is currently reviewing individual leave balances prior to employee separation. We note that the goal of labor contract simplification was enhanced in the area of sick leave accrual in the last round of collective bargaining, as sick leave accrual for community and adjunct faculty was ended and an alternative form of paid absence was implemented.

Due to pay issues during summer and fall of 2013, a small number of resident faculty experienced a lapse in their insurance coverage. These insurance lapses were all reconciled by the system office and Metro HR prior to the commencement of the work by the ERT.

The ERT primarily focused on pay discrepancies during their line-by-line review. However, to the extent an obvious error regarding insurance was noted for either resident or community faculty, the matter was resolved.

The HR division has satisfied the pension coding and eligibility determination requirements associated with this finding.

Finding 6 – Internal audit’s testing approach determined some additional pay errors.

The HR division and Metropolitan State University will review the noted payment discrepancies and make adjustments as appropriate.

As noted in the audit report, the *Faculty Instructional Load Report* has greatly improved the accuracy of faculty pay. The report has been available since spring 2014, after the ERT review was concluded.

We appreciate the opportunity to discuss the results of the special review and provide our response to the auditor’s findings.

Sincerely,



Devinder Malhotra
Interim President



Mark Carlson
Vice Chancellor for Human Resources

Appendix A - Glossary of Common Terms Used in Paying University Faculty

Academic year - An academic year shall consist of 168 duty days. It begins with the start of fall semester and ends with the completion of spring semester.

Alternative Teaching Strategy - Learning options outside of the traditional classroom. Examples include faculty or student designed independent studies, internships, prior learning assessments, waiver examinations, CLEP tests, and theory seminars.

Assignment type codes - used to differentiate faculty compensation activities (e.g. instruction, chairperson, research, overload, summer instruction).

Base salary – Salaries of tenured, probationary, fixed-term, and non-tenure track faculty members are set forth on salary schedules as full-time nine month (168 days) base salaries.

Community faculty – faculty employed at Metropolitan State University for other than fixed-term, probationary, or tenured faculty who perform a range of academic duties including but not limited to teaching, and who are in the bargaining unit and meet the requirements of Minn. Stat. §179A.03, subd. 14. Workload shall not exceed 10 credits per academic year.

Duty day – a day included in the university calendar or individual faculty member’s appointment on which a faculty member engages in duties as described in the IFO agreement. 224 duty days would represent the equivalent of a twelve month full-time assignment.

Overload – a specific assignment, acceptable to the faculty member and approved by the President or designee, occurring within a faculty member’s period of appointment which is in excess of the faculty member’s workload as defined in the IFO agreement.

PEAR form – Metropolitan State University Position Employee Assignment Request (PEAR) form used to process personnel related actions (hire, process supplemental assignments for faculty or staff, employee separations, etc.).

Primary assignment - may include instruction, advising duty days, chairperson responsibilities, curriculum assignments, and release time, whatever is agreed upon by the faculty and Dean or Provost.

Release Time – the granting of a paid exemption from duties normally required or performed. Such release time will be for one or more duty days and does not include sick leave and emergency or personal leave time.

Reassigned time - an alternative assignment other than classroom teaching for one or more credit hours during the academic year or summer.

Resident faculty – Metropolitan State University faculty appointed to fixed-term, probationary, or tenured faculty.

SCUPPS - is the HR system managed by the system office ITS division and is one module within the Integrated Student Record System (ISRS). SCUPPS interfaces with SEMA4.

State Personnel and Payroll System or SEMA4 - is the State of Minnesota’s human resource, payroll and benefits system and is managed by the Department of Minnesota Management and Budget. MnSCU is required to use this system to pay employees.