



January 2025

Office of Internal Auditing

# Payroll Audit

Reference Number: 2025-02

Report Classification: Public

MINNESOTA STATE

# Executive Summary – What is working well?

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Many prior payroll recommendations have been implemented.

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Non faculty payroll has been working well since the conversion to Workday.

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The payroll ticketing system, implemented since the last audit, performs well.

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A few institutions have established a strong tone at the top for limiting late class adds and late hiring, which reduces their future issues with faculty pay.

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All parties involved in the Workday payroll implementation have made and continue to make tremendous efforts to get employees paid and make progress on known issues.

# Executive Summary – Key takeaways for consideration

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The transition to Workday has exacerbated many previously existing issues with faculty pay.

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The Human Resource Service Center (HRSC) is operating with limited knowledge of underlying data and continues to use many manual processes which slow things down, can lead to errors, and are unsustainable long term.

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Institutions continue to push time boundaries for scheduling classes and approving faculty workload which leads to pay bottlenecks at the beginning of semesters and strained relationships with faculty across the system.

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Since the conversion to Workday, faculty have been unable to determine the accuracy of their pay because a key report is not available.

# Executive Summary – Key takeaways for consideration

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The number of late class additions and late faculty hires should be reduced to make improvements in untimely or inaccurate faculty pay.

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Over 55% of late class adds are for introductory courses (100 or 1000 level) which can be similar across the system. There may be a system opportunity to identify a pool of adjunct faculty for these courses.

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The process and authority for collecting overpayments from employees should be evaluated and strengthened. The collection rate on overpayments is low.

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Payroll errors continue to disproportionately impact contingent faculty compared to full time faculty and non-faculty employees.

# Audit Objective and Scope

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**Objective:** Evaluate payroll across Minnesota State with a particular focus on the root causes of errors and process for resolution.

**Scope:** July 1, 2023 to June 30, 2024 (ISRS) and July 1, 2024 to September 30, 2024 (Workday).

# Scoping Questions

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Has Minnesota State implemented relevant payroll recommendations from past Internal Audit projects? (See pages 10-11)

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What percentage of payments receive retroactive adjustments or corrections in a pay period? Are these adjustments completed timely? (See pages 12-14)

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Are there institutions with higher or lower adjustments/corrections than average? What are the root causes affecting these rates? (See pages 15-21)

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How does Minnesota State compare to a national or industry average for retroactive/corrective payroll adjustments? (See page 22)

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How are errors identified and what is the process for investigation/resolution? Is this process timely? (See pages 23-24)

# Scoping Questions Continued

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What is the process for communicating errors to employees and are there opportunities for improving the process? (See page 25)

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How are overpayments recovered and is there a need to establish or improve policies and procedures for this type of error? (See page 26)

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Are data analytics tools (dashboards, reports, benchmarks) being fully utilized? Is the data driving these tools complete and accurate? (See page 27)

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Are new employees receiving their first paychecks in accordance with state law requirements? (See page 28)

# Scoping Questions Continued

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Are Service Level Agreements (SLAs) in place between the HRSC and all institutions? Do SLAs appropriately define timelines for retro pay, first paychecks, and responsibilities for error reporting and resolution? Are expectations defined within SLAs being appropriately adhered to by the HRSC and the institutions? (See page 29)

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Is the integration between the Faculty Workload Mgmt (FWM) module and HR module, and Workday payroll service centers automated or manual? How are intake of changes triaged? (See page 30)

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Are there processes in Workday to review the accuracy of payroll? What type of error reporting does Workday provide? (See page 30)

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What information is shared/made available to employees for review of their own payroll? What documentation is shared to support corrections/adjustments? (See page 31)



# Project Results



## Has Minnesota State implemented relevant payroll recommendations from past Internal Audit projects?

We obtained and reviewed prior audit advisory reports from 2020 covering payroll and the Human Resources Transaction Service Model (HR-TSM) implementation as well as joint audit and workforce and organizational effectiveness committee updates from 2021 – 2022 to determine if relevant recommendations have been addressed. Based upon review of these reports, we noted two areas still needing improvement:

**\*Internal Controls** – Service center leadership should review the current control environment to ensure sufficient controls are designed, documented, and communicated to all stakeholders.

**\*Institution and Service Center Accountability** – All transaction processing errors should be tracked, preferably systematically. Additionally, consider requiring the service center staff or supervisor to participate in the discussion with the affected employee, alongside campus HR, to help explain how the error occurred, and the steps being taken to resolve the error.

*\*See Supplementary information (page 43) for more information regarding these two items.*

## Has Minnesota State implemented relevant payroll recommendations from past Internal Audit projects?

As a result of audit procedures performed, we noted the following areas specific to internal controls and institution/service center accountability continue to need improvement:

Given the large volume of retroactive adjustments, it is unlikely controls are consistently operating as intended, thus a further audit over payroll controls is warranted.

Payroll errors are being manually tracked and logged. During both FY24 and the period of FY25 under audit, there was no systematic approach to tracking and monitoring error data.

The HRSC does partner with institutions at their request regarding error identification, however, there continues to be opportunities to enhance the partnership in communicating errors.

There remains opportunity to reassess, redefine, and enforce timeliness which allow for realistic course approval dates and may help lower retroactive adjustments.

## What percentage of payments receive retroactive adjustments or corrections in a pay period?

We selected a sample of 10 pay periods within the scope for detailed analysis: seven pay periods from FY24 and three pay periods from the first three months of FY25. For each pay period selected, we obtained the comprehensive payroll summary from the Statewide Employee Management System (SEMA4), identified all retroactive adjustments, and calculated the percentage of retroactive adjustments relative to total payroll for each period. We selected the following pay period end dates for detailed analysis:

### Sampled Earnings Periods

- |               |               |
|---------------|---------------|
| 1. 7/18/2023  | 6. 1/16/2024  |
| 2. 8/29/2023  | 7. 5/21/2024  |
| 3. 9/12/2023  | 8. 7/16/2024  |
| 4. 11/21/2023 | 9. 8/27/2024  |
| 5. 12/19/2023 | 10. 9/10/2024 |

Below are the consolidated percentages of the total count of retroactive adjustments over the total count of payroll transactions for all sampled pay periods separated by fiscal year.

### Retroactive Adjustments (%)

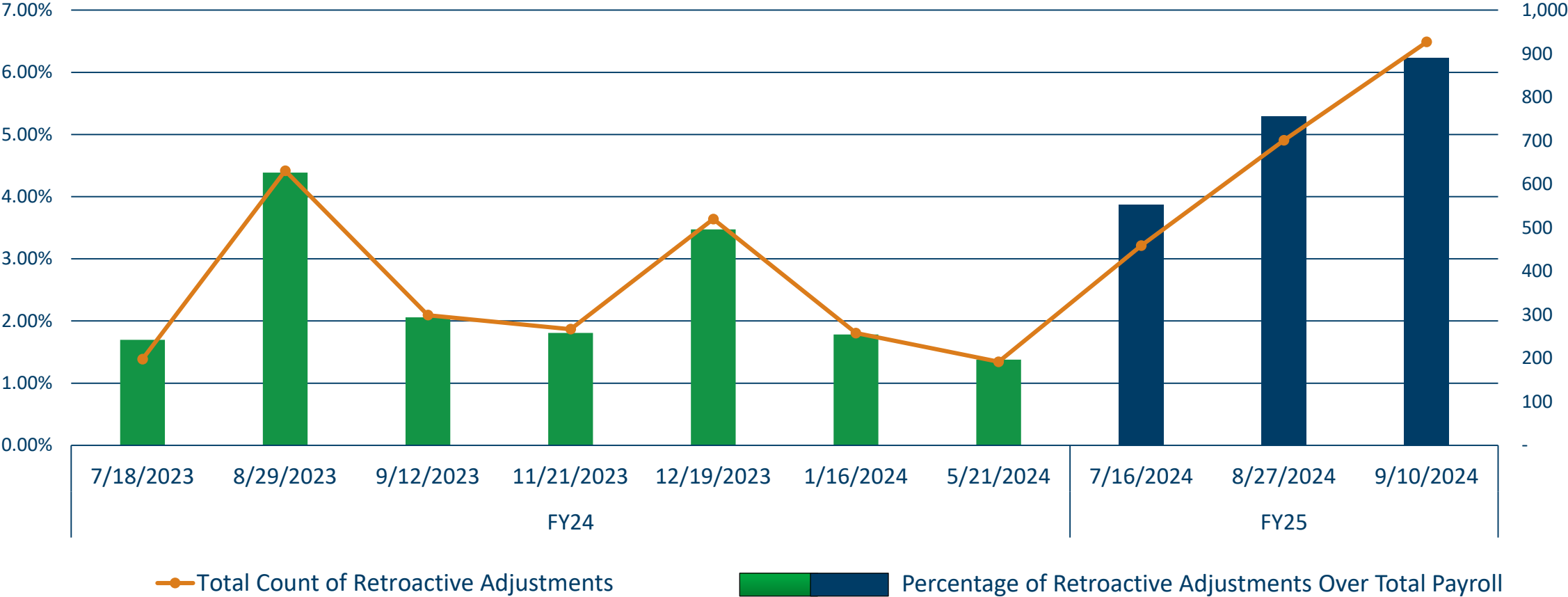
FY24	2.40%
FY25	5.22%

*We defined a retroactive adjustment as any payment with a paycheck date greater than 10 days past the pay period earned date. We defined a payroll transaction as a distribution amount for a unique employee, for a unique institution on a unique check date.*

# Total Count of Retroactive Adjustments by Pay Period

Retroactive adjustments were significantly higher in the first three months of FY25 due to the implementation of Workday. There were noticeable spikes in the number of retroactive adjustments during the start of new semesters.

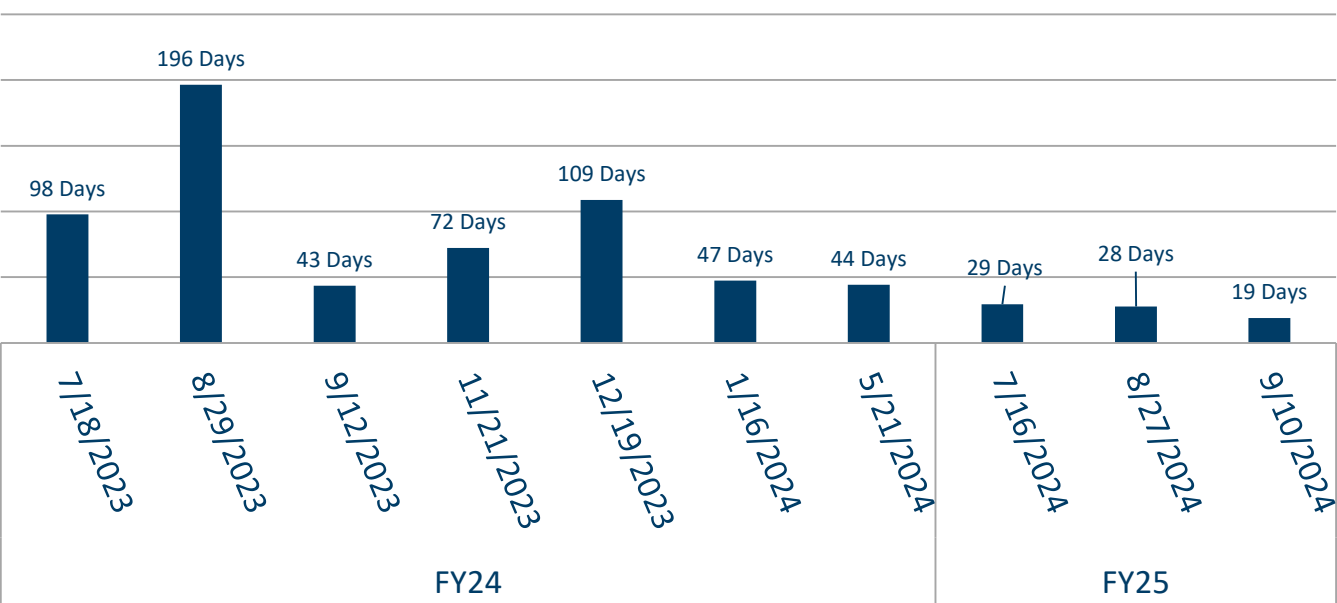
Total Count of Retroactive Adjustments by Earnings Period



# Are these adjustments completed timely?

We used the 10 sampled earnings periods to analyze the difference between the paycheck date and the pay earned date for all retroactive adjustments identified. We used a weighted average to calculate the days outstanding for each earnings pay period and a weighted average time for the seven pay periods of FY24 combined and the three pay periods of FY25 combined.

## Weighted Average Time of Retroactive Adjustment Correction



*This calculation is comparing the date the retroactive adjustment was made against the earnings period in which the adjustment was applicable. This does not provide insight into the time it takes between when the error is identified and how long it takes to make the correction. This value states the average time elapsed between adjustment date and applicable earnings date.*

### Weighted Average Time between Retroactive Adjustment Correction and Applicable Earnings Date

FY24	106.9 Days
FY25*	24.3 Days

*\*We noted this value is only representative of 3 pay periods from FY25 and will very likely increase over time as more retroactive adjustments are identified and additional pay periods are analyzed.*

## Are there institutions with higher or lower adjustments/corrections than average?

We selected a sample of 10 pay periods for detailed analysis to understand if certain institutions had consistently higher or lower retroactive adjustments over the earnings periods. The total count of payroll transactions and retroactive adjustments did not change from the previous analysis; however, the transactions are now allocated according to their respective institution. See the following pages for our summarized analysis.

### Sampled Earnings Periods

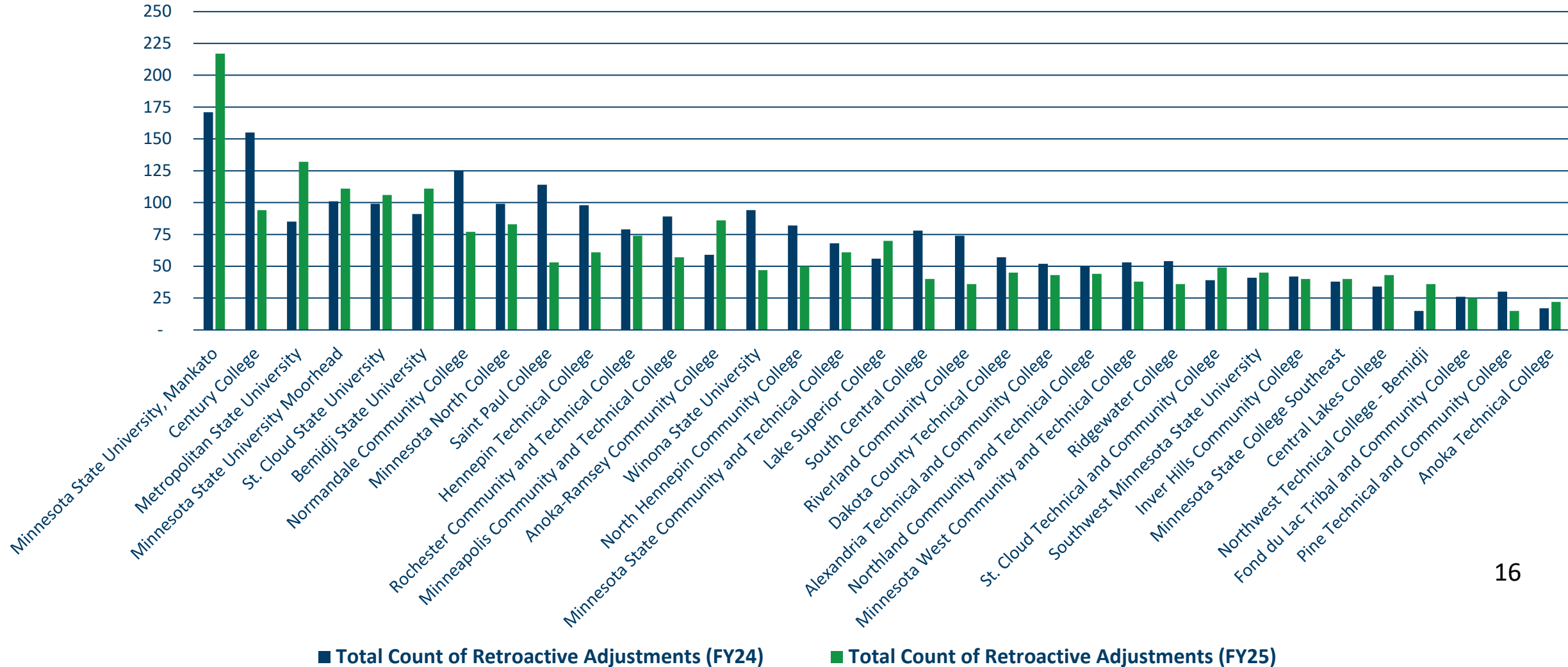
- |               |               |
|---------------|---------------|
| 1. 7/18/2023  | 6. 1/16/2024  |
| 2. 8/29/2023  | 7. 5/21/2024  |
| 3. 9/12/2023  | 8. 7/16/2024  |
| 4. 11/21/2023 | 9. 8/27/2024  |
| 5. 12/19/2023 | 10. 9/10/2024 |

Based upon data reviewed for the audit period, we noted some institutions have consistently higher or lower rates of retroactive adjustments. See the following pages for results.

# Count of Retroactive Adjustments by Institution

Date Range	
FY24: 7/18/2023 – 5/21/2024	FY25: 7/16/2024 – 9/10/2024

Count of retroactive adjustments by fiscal year

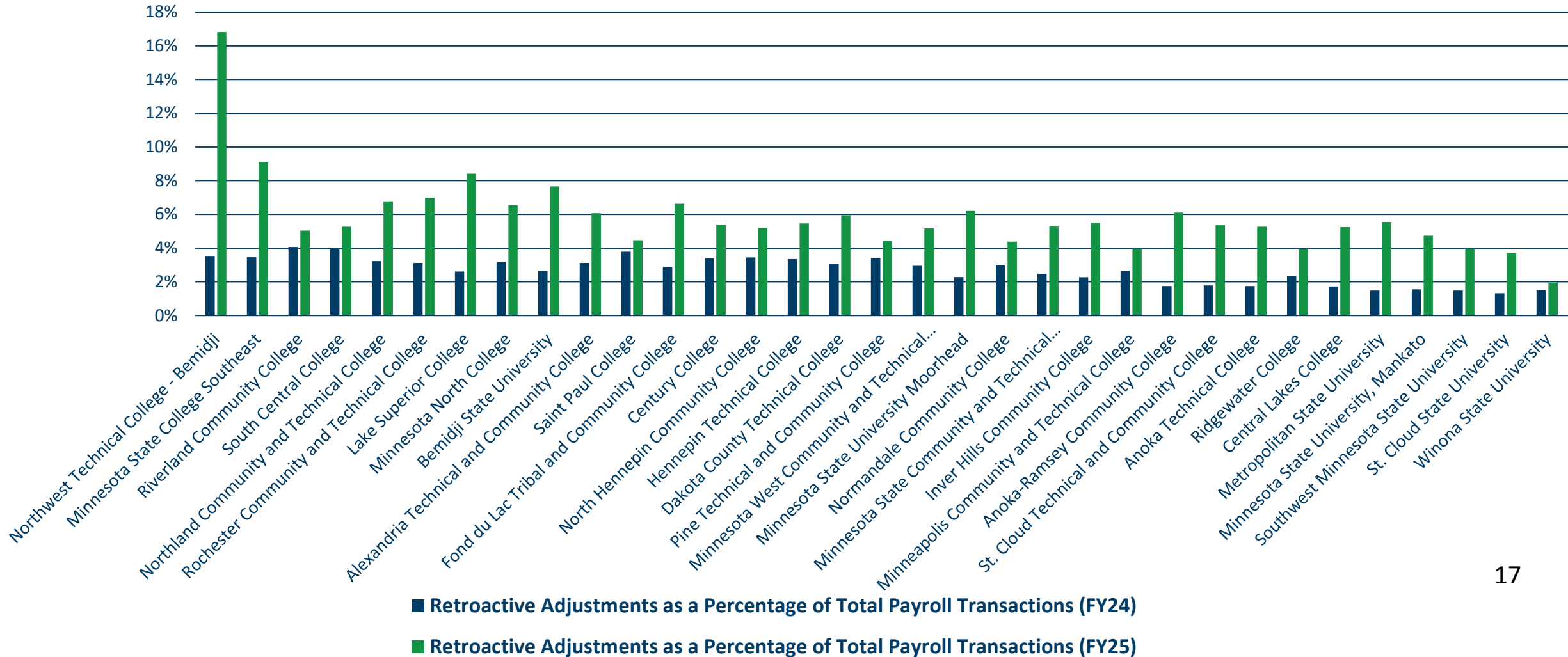




# Percentage of Retroactive Adjustments by Institution

Date Range	
FY24: 7/18/2023 – 5/21/2024	FY25: 7/16/2024 – 9/10/2024

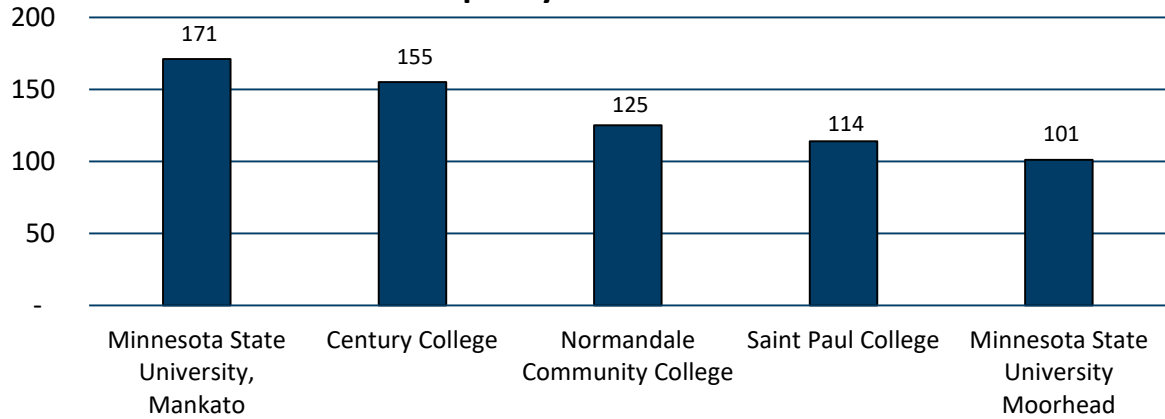
Percentage of retroactive adjustments by fiscal year



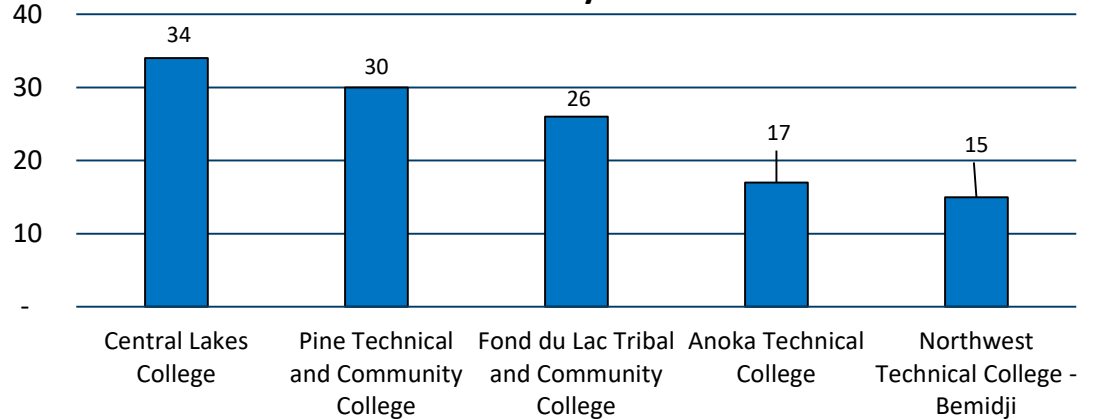
# Retroactive Adjustments by Count

Date Range	
FY24: 7/18/2023 – 5/21/2024	FY25: 7/16/2024 – 9/10/2024

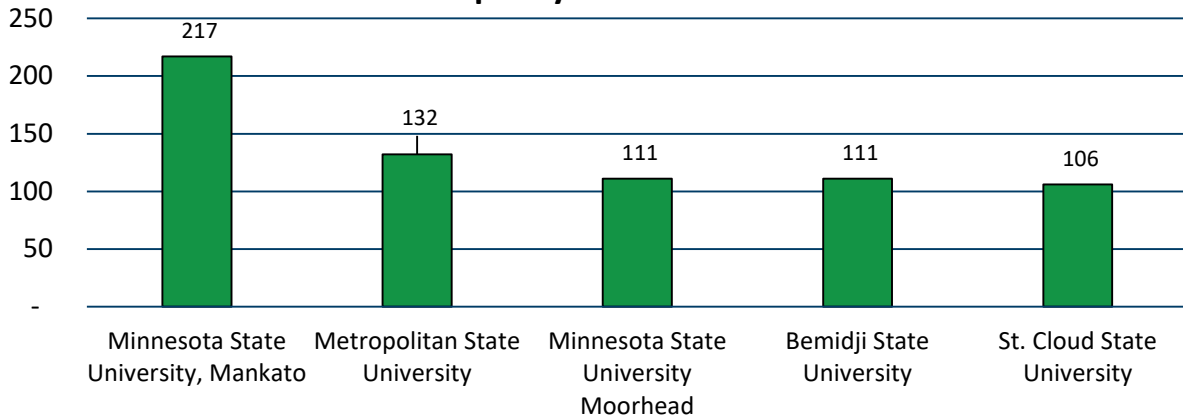
**Top 5 By Count – FY24**



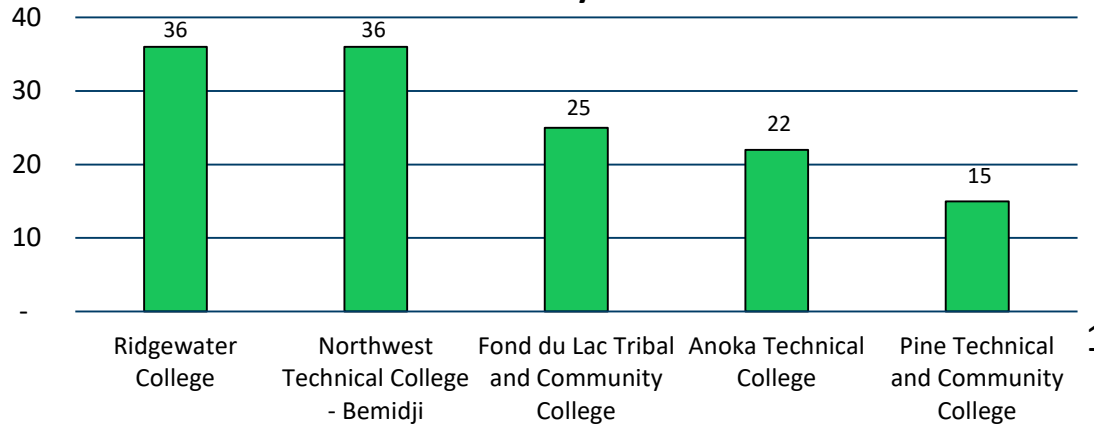
**Bottom 5 By Count – FY24**



**Top 5 By Count – FY25**



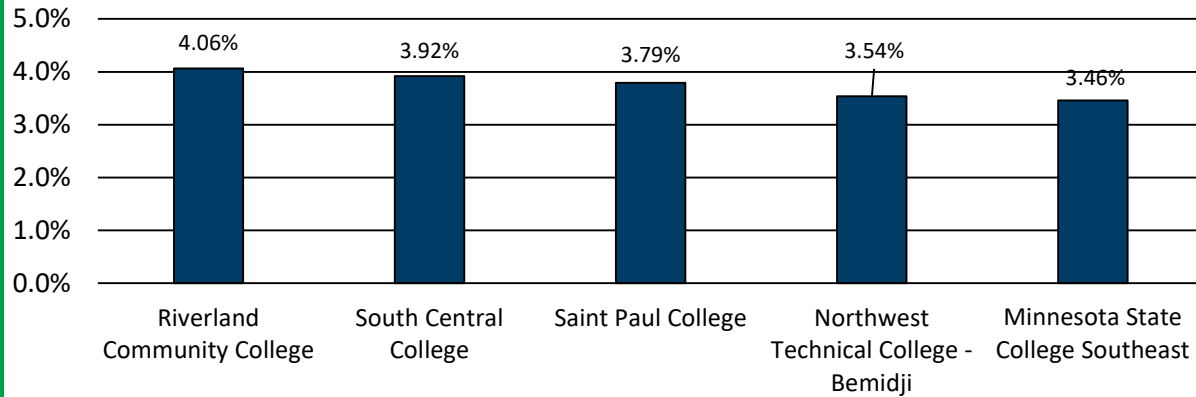
**Bottom 5 By Count - FY25**



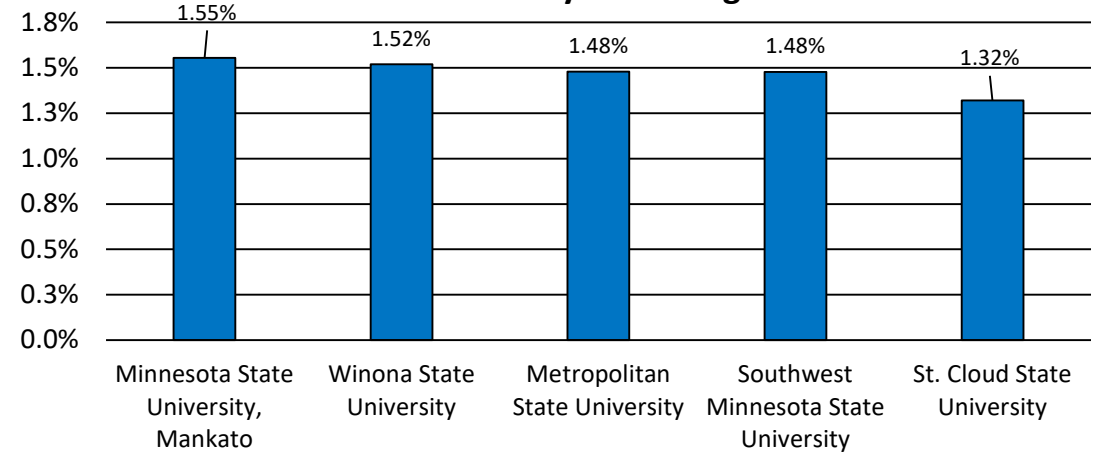
# Retroactive Adjustments by Percentage

Date Range	
FY24: 7/18/2023 – 5/21/2024	FY25: 7/16/2024 – 9/10/2024

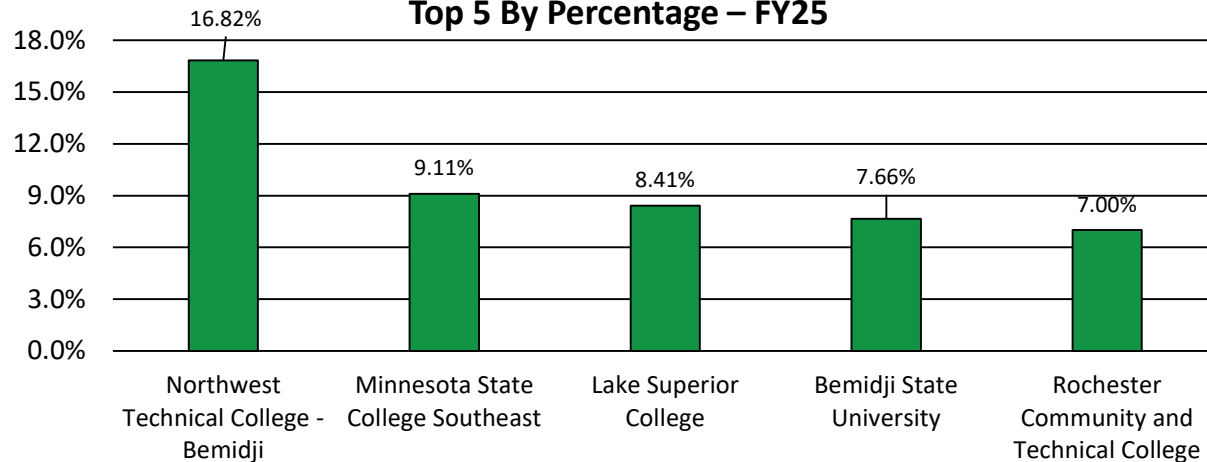
**Top 5 By Percentage – FY24**



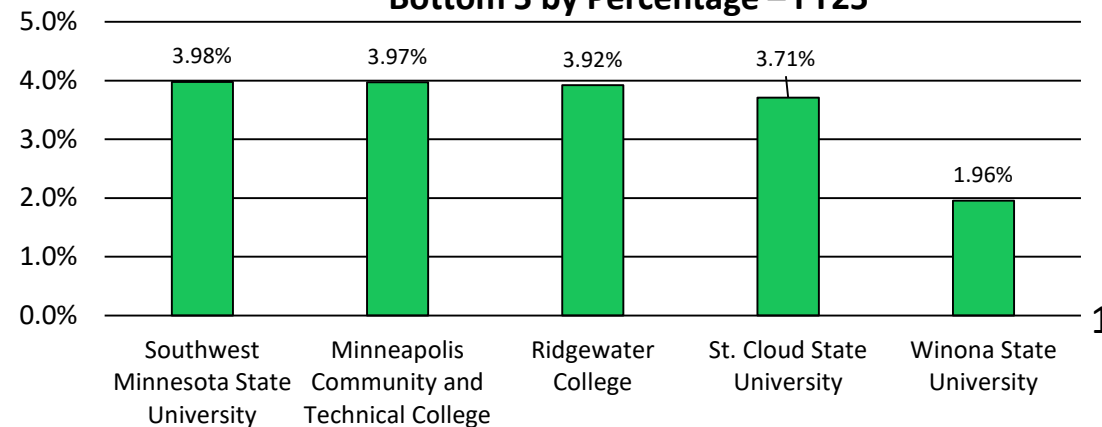
**Bottom 5 By Percentage – FY24**



**Top 5 By Percentage – FY25**



**Bottom 5 by Percentage – FY25**



## What are the root causes of prior period adjustments?

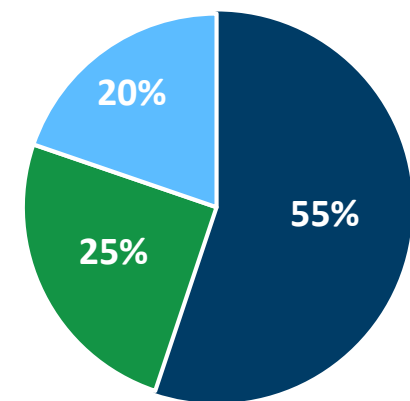
We performed analytics and inquires with sampled institutions to understand the root causes for these retroactive adjustments. We identified the following root causes:

**\*Late Courses:** We noted a strong correlation between late course additions and late hires, which was confirmed by institutions during our interviews. We noted 100 and 1000 level courses are the highest contributor to late course adds, with roughly 55% of all late courses being introductory level for the Fall FY25 semester. Certain courses finalize enrollment historically later compared to other courses, which led to a tradeoff between timely approvals or fewer overpayments.

We defined late course additions as any course added after 7/15/2024 for the Fall FY25 semester. We noted 3,678 courses added after 7/15/24. These late courses were further filtered to only include courses with a start date on or before 9/3/2024. 1,547 of the late adds were attributable to 100 and 1000 level courses.

Late Courses by Course Number Excluding Classes Added After 9/3/2024

- 1 - 199 and 1000 - 1999 Level Courses
- 200 - 299 and 2000 - 2999 Level Courses
- 300 - 999 and 3000 - 9999 Level Courses



*\*See supplementary information (page 44) for analysis on late courses by title.*

## Root Causes (Continued)

**Lack of Resources** to handle volume of corrections at certain times.

**Ineffective Communications** between the HRSC and institutions.

**Employee Turnover** resulting in knowledge gaps and loss of legacy knowledge.

**Faculty Workload Management Issues:** Front-end data entry handled by faculty administrators with unfamiliarity and less experience managing the complexities of each institution's faculty workloads.

**Lack of Available Reporting in Workday:** Pay detail report not available in Workday, creating inability for employees to self-review pay.

**Tone Set By Leadership:** Institutions with lower adjustment rates experienced a strong tone from leadership ensuring timely course approval and HR teams working to do what they could to pay employees accurately and timely.

**Overtime and Rework:** Institutions with lower adjustments attributed their performance to working significant amounts of overtime, and reperforming some of the processes to ensure accurate processing of payroll.

## How does Minnesota State compare to a national or industry average for retroactive/corrective payroll adjustments?

Data regarding the accuracy of payroll at other higher education institutions and systems was not readily available or obtainable for our review. Through independent research, we identified generic benchmarks not specific to higher education, we determined it to be misleading and not comparable to Minnesota State or other higher education institutions. Through our research and discussions with other institutions, we noted similar issues for other systems and institutions.

We reviewed a sample of 10 pay periods within the scope of the audit period and noted every pay period had at least one retroactive adjustment. Extrapolating this 100% retroactive adjustment rate for sampled periods, we estimate every pay period has retroactive adjustments.

## How are errors identified and what is the process for investigation/resolution? Is this process timely?

We interviewed Anoka-Ramsey Community College, Minnesota State University, Mankato, Northland Community and Technical College, Southwest Minnesota State University, Winona State University, and HRSC leadership to inquire about error investigation and the specific processes and controls related to the identification and resolution of errors. We noted the error identification process and resolution differed between FY24 and FY25.

### Prior to Workday (FY24)

**Identification:** The primary source for identifying underpayment errors in FY24 was employees reviewing their own pay. Employees often self-identified underpayments and reported to their campus HR teams. Employees mainly identified errors in pay using the Pay Details Report. The primary source for overpayment errors in FY24 was HRSC reviews, reconciliations, and additional internal controls. As over and underpayments were identified, the HRSC logged and tracked them in a manual spreadsheet.

**Resolution:** HRSC uses the Gateway ticketing system to track payroll errors and monitor the progress of correction. Due to the volume of tickets during a given pay period and the overall volume of work managed by the HRSC, many of these errors were not resolved quickly.

### Average Days Between Underpayment Date and Correction of Underpayment (FY24)

161 Days

*The average days between underpayment date and correction date was performed on the Manual Error Tracking Log the HRSC maintains. Within the FY24 manual log, only underpayment data contained the relevant earnings period to associate the payroll adjustment to the proper period. Therefore, this analysis could not be performed for overpayments within FY24.*

Current Process with Workday (FY25)

**Identification:** Since the implementation of Workday, reports for employees to review the accuracy of their pay are no longer available. We noted reporting capabilities are in development, however there are likely additional errors beyond what has been reported for FY25 which may be uncovered once employees are able to review their pay for FY25. During FY25, the HRSC has been the primary identifier of over and underpayment errors. HRSC performs a similar reconciliation as performed in FY24, however, additional reviews are now performed to ensure the accuracy of data within Workday.

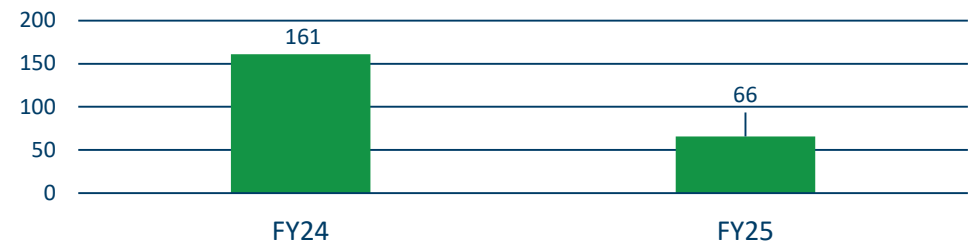
**Resolution:** The Gateway ticketing system is still utilized in FY25. Although this ticketing system helps to track and monitor these errors, it is often the only communication or information provided to the campus HR team which often creates more back and forth and other challenges in investigating the source of the errors.

*The decrease in days outstanding from FY24 and FY25 may be largely due to underpayments not yet identified. The days outstanding is expected to increase into FY25 as more underpayments are identified. The chart and analytics only includes manual log data as of 9/30/2024.*

**Average Days Between Underpayment Date and Correction of Underpayment (FY25)** 66 Days

*The FY25 average days between underpayment date and correction date was performed on the Manual Error Tracking Log maintained by the HRSC. Only underpayment data contained the relevant earnings period to associate the payroll adjustment to the proper period. Therefore, this analysis could not be performed for overpayments within FY25.*

Average Days Outstanding for Underpayments within the Manual Tracking Log





## What is the process for communicating errors to employees and are there opportunities for improving the process?

Communicating errors to employees is the responsibility of the local HR teams at each institution. The HRSC typically informed local HR teams of errors and once informed, the local teams reach out to the impacted employee. Depending upon the nature of the error, the HR team may call or have a direct conversation with the impacted employee before sending a formal email notification with details and instructions on next steps (for overpayments).

### Overpayments Corrections

When overpayments occur, all interviewed institutions first reach out to the employee to outline next steps for collection using the Minnesota Management and Budget (MMB) policy. Formal template letters are utilized for notice of overpayment, notice of wage deductions, and/or notice to former employee of overpayment.

### Underpayment Corrections

When an employee is underpaid, they will reach out directly to the campus HR team for resolution. In some cases, if the underpayment is identified and corrected before the employee is aware, no communications will be made to the impacted employee.

*There are opportunities to continue to evaluate and improve the way errors are communicated. See recommendation section for further detail.*

# How are overpayments recovered and is there a need to establish or improve policies and procedures for this type of error?

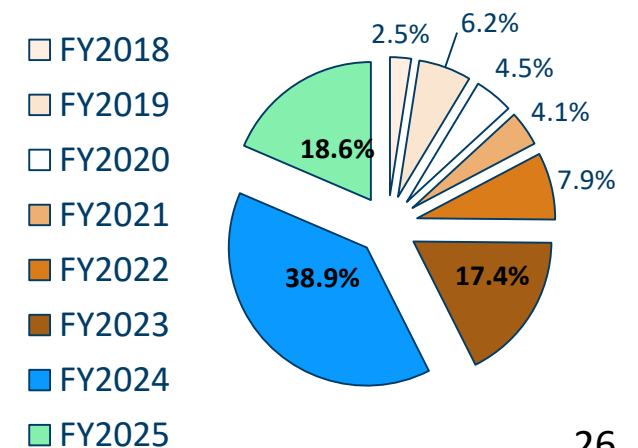
**Tracking:** Overpayments are tracked manually within an excel spreadsheet by the HRSC. The HRSC also uses the Gateway ticketing system to monitor progress of overpayments once they are communicated to each institution.

**Resolution:** Once overpayments are communicated to employees, all institutions follow MMB policy and procedures as outlined their Correction of Overpayment Operating Policy and Procedures Manual. MMB policy does not establish timeliness expectations for creating a repayment plan with the affected employee, and if the affected employee does not consent to voluntary repayments, the standard letter sent to employees allows them to decide their repayment amount per period.

As of 10/22/2024, total overpayments identified since fiscal year 2018 amounted to approximately \$800,000. Approximately 30% (\$237,000) has been collected.

The chart to the right provides context on uncollected overpayments by the fiscal year in which the overpayment was discovered. 42.5% of uncollected overpayments relate to fiscal years 2018 thru 2023.

Percentage Of Outstanding Overpayment Collections as of 10/22/2024



**Are data analytic tools such as dashboards, reports, and benchmarks fully utilized? Is the data driving these tools complete and accurate?**

**Prior to Workday (FY24)**

The HRSC generates quarterly dashboards, including overpayments, underpayments and causes for the errors; however, this reporting is based solely on the manual tracking of items in an Excel workbook. During FY24, data was not leveraged directly from any system to perform analytics or track errors.

**Current Workday Reporting (FY25)**

Within Workday, data analytic tools are not being fully utilized or have not been customized for the needs of Minnesota State. We noted this process has been delayed as challenges with the implementation of Workday have hindered the progress of reporting.

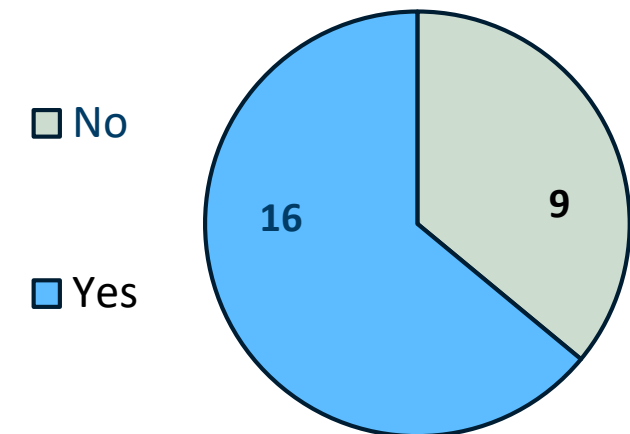
## Are new employees receiving their first paychecks in accordance with state law requirements?

We selected 25 new employees, 19 from FY24 and 6 within the first three months of FY25. We selected a sample of new hires to achieve even coverage over the entire audit period. We reviewed all payroll transactions for each of the newly hired employees. We compared their first recorded paycheck date to the later of their hire date or their assignment start date. We then calculated the difference in days between these two values to understand if the sampled new hires received pay checks within 31 days of the later of hire date or course start date.

**Minnesota Statute Section 181.101** requires *“... every employer must pay all wages earned by an employee at least once every 31 days on a regular payday designated in advance by the employer regardless of whether the employee requests payment at longer intervals.”*

Based upon our sample, 16 new hires received their first paycheck within 31 days. The average days until pay for all 25 new hires was 26.64 days but the average days until pay for the 9 noted exceptions was 39.44 days, with one employee not paid for 52 days.

Did 25 New Hires reviewed receive their first paycheck within 31 days from their hire date or assignment start date?



**Are SLAs in place for all institutions? Do SLAs appropriately define timelines for retro pay, first paychecks, responsibilities for error reporting and resolution? Are expectations defined within SLAs being appropriately adhered to by the service centers and institutions?**

32 of the 33 Minnesota State institutions have signed SLA agreements with the HRSC. Formal policies regarding retro pay, first paycheck and error reporting responsibilities are outlined in all agreements as all SLA agreements are nearly identical.

### **SLA Effectiveness and Adherence**

Regardless of whether SLAs are "in place" for all institutions, all institutions we interviewed stated the timelines were not being adhered to, and did not accurately define the processes and responsibilities for the institutions and the HRSC. Based on discussions with the HRSC, there is agreement SLAs need to be reviewed and updated to reflect current processes and ownership. Overall, SLAs do not appear to be serving the intended purpose and need to be revisited and reevaluated for effectiveness.

## **Is the integration between the Faculty Workload Management (FWM) module and HR module, and Workday payroll service centers automated or manual? How are intake of changes triaged?**

Changes and entry in FWM is managed by faculty administrators at each institution. Once details in FWM have been entered by faculty administrators, the data was automatically integrated into ISRS and should be automatically integrated into Workday. Once the data entry is completed and integrated into ISRS/Workday, changes are processed for payroll by the HRSC. With the implementation of Workday, we noted new employees and adjunct faculty had issues being added as an active employee in Workday and experienced delays receiving payroll. Currently, the only form of triage taking place is working through course approvals which are submitted by the deadline set by HRSC. The HRSC will prioritize these items and will get through late adds as they have capacity/time to do so. There is currently no other process to triage changes submitted after the deadline.

## **Are there processes in Workday to review the accuracy of payroll? What type of error reporting does Workday provide?**

Reports for faculty to review the accuracy of their own payroll for FY25 are in development. Additionally, we noted other reporting capabilities such as State College & University Personnel Payroll System (SCUPPS/ISRS) to SEMA4 reconciliations are not currently available. This creates inefficiencies as an additional reconciliation is now performed to reconcile SCUPPS, SEMA4, and Workday.

## What information is shared/made available to employees for review of their own payroll? What documentation is shared to support corrections/adjustments?

Prior to Workday, the pay detail report was the main method for faculty and staff to review their pay. Currently within Workday, the same reporting is not available to employees for reviewing their pay. For overpayments, a formal template and communication is provided outlining the details of the overpayment and adjustments/collections required. For underpayments, there is not typically documentation shared with the employee. If the employee self-reports being underpaid, the error is investigated and resolved to correct with no additional documentation provided. In situations where the institutions identify an underpayment, they will try to resolve without communicating to the employee. In these instances, no documentation is shared with the employee. There seems to be an opportunity to increase the amount of support and transparency in communications around underpayments.

### Payroll Reports In Development

#### Pay Details Report:

- Faculty Assignment Detail: tentative release date: January – 2025
- Pay Details Report: tentative release date: April – 2025
- Actual Pay: tentative release date: February – 2025

# Observations and Recommendations





# Observations (No response required)

**Observation #1 – Minnesota State should consider the following opportunities to enhance communication and collaboration between all stakeholders within the payroll process:**

Review and revise existing policies procedures

Include HRSC team in communications and discussions with employees

Enhance communications between HRSC and institution HR teams

- Leadership, the HRSC, and institution HR teams should review and update SLAs to accurately reflect existing expectations and responsibilities of the HRSC and institutions.
- Minnesota State should ensure accurate policy and procedure documentation is maintained to prevent the loss of legacy knowledge and assist with onboarding of new employees.

Including the HRSC team members in discussions with employees regarding error corrections may help further develop relationships and ensure employees receive all relevant context and detail regarding errors in their pay.

In addition to leveraging the existing ticketing system for tracking open items and changes, the HRSC and HR teams should consider the following steps for establishing stronger relationships:

- Provide cross-training
- Implement collaboration tools
- Outline defined escalation paths for particular issues

# Observations (No response required)

**Observation #2 – Minnesota State should better define and establish the payroll process by considering the following:**

Review historical data beyond the scope of this audit

- We limited our audit to a specific timeframe. Reviewing data for past years may provide additional insights to better understand and improve the rate of errors in payroll. Initially focus improvement efforts on problematic pay periods.
- Minnesota State should further evaluate trends in retroactive adjustments into the future to understand which pay periods typically have higher volumes of retro pay or off-cycle pay.

Provide employees with sufficient training and support

Minnesota State should consider cross-training between faculty administration, institution HR teams, and the HRSC to support appropriate knowledge and expertise and reduce the likelihood of data entry errors resulting from insufficient training or knowledge.

Review existing payroll structure to identify improvement opportunities

- Minnesota State should consider revising the process for ensuring faculty are paid as the current process is highly segmented and creates bottlenecks when a delay occurs in any one process.
- Leadership should provide sufficient guidance over the ownership of roles and responsibility changes as the current process allows for changes without consistent approval, communication and awareness which creates disconnect between processing groups.

# Recommendations

**Recommendation #1 – Minnesota State should take a multi-step approach to reducing late payments and corrections which disproportionately affect contingent faculty at the beginning of semesters:**

## Ensure consistent and impactful tone from leadership

- System leadership should continue to provide consistent messaging regarding faculty workload approval deadlines and hold institutions accountable to minimize late payments to faculty.
- System leadership should communicate the system wide and legal effects of not meeting deadlines and set expectations for continuous improvement.

## Reduce the volume of late course approvals and late hiring

- System leadership should implement goals and continuous improvement strategies to reduce the ongoing issue of late or inaccurate faculty pay.
- Evaluate the relationship of late add introductory courses and late faculty workload approvals to determine possible system wide strategies. As seen on page 40, there are some courses which seem to have similar issues across the system.

## Leverage system knowledge and resources

- Until continuous improvement efforts begin reducing workload, especially during peak processing times, the HRSC should seek and accept assistance from institutions to reduce burden on HRSC staff and process work more quickly.
- Leadership should reinforce the benefits of being a system of institutions, including the knowledge, resources, and support which can be leveraged.

# Management's Responses

**Recommendation #1 – Minnesota State should take a multi-step approach to reducing late payments and corrections which disproportionately affect contingent faculty at the beginning of semesters:**

Ensure consistent and impactful tone from leadership

**Response:** *“Agree... Inevitable fluctuations in enrollment at the start of every semester make it very challenging for campus academic leaders to set and approve all instructional loads without adjustment at the start of a semester...it is of critical importance campuses [HR and/or ASA] communicate with impacted faculty often and accurately about what to expect when changes are made to assigned workloads after the deadlines”*

**Responsible Parties:** Chancellor; Presidents, Senior Vice Chancellor for Academic and Student Affairs; Sr. Academic Officers, Vice Chancellor for Human Resources; Chief Human Resource Officers

**Anticipated Resolution:** January 2025

Reduce the volume of late course approvals and late hiring

**Response:** *“Partially agree... Inevitable fluctuations in enrollment at the start of every semester make it very challenging for campus academic leaders to set and approve all instructional loads without adjustment at the start of a semester...Acknowledging these challenges, we agree both system and campus leaders should regularly set and renew goals to minimize the number of late hires, adjustments and approvals of faculty workload”*

**Responsible Parties:** Chancellor; Presidents, Senior Vice Chancellor for Academic and Student Affairs; Sr. Academic Officers, Vice Chancellor for Human Resources; Chief Human Resource Officers

**Anticipated Resolution:** January 2025 and on-going

# Management's Response

**Recommendation #1 – Minnesota State should take a multi-step approach to reducing late payments and corrections which disproportionately affect contingent faculty at the beginning of semesters:**

Leverage system knowledge and resources

**Response:** *“Mostly disagree. There is little knowledge and resources left at our colleges and universities to leverage during peak processing times. Since operating in a shared service environment, there has been significant turnover at both the service center and on campus. Consequently, most campus HR staff are not sufficiently familiar with HRSC and payroll business processes and would be unable to effectively augment the service center during peak processing times without extensive training...In addition, many campuses are short staffed in HR and do not have capacity to augment the service center without local hardship. The service center has been able to augment staff on occasion through emergency and temporary hires of recently separated (retired) employees and would be better served by maintaining a cadre of willing retirees or select former processors who are willing and available to augment the center during peak processing times.”*

**Responsible Parties:** Senior System Director for HR Operations, HRSC Management

**Anticipated Resolution:** July 2025

# Recommendations

## Recommendation #2 – Minnesota State should strengthen its capabilities by enhancing and automating data tracking and reports:

### Leverage the implementation of Workday and its reporting capabilities

- Minnesota State should reduce the risk of errors and time spent manually logging over and underpayments by automating the process in Workday.
- Minnesota State should implement error reporting dashboards which automatically update with accurate data.

### Provide employees with sufficient information about their pay

- Minnesota State should ensure employees receive adequate information and reports to self-review their payroll to assist with the identification of errors.
- Minnesota State should provide additional reporting and monitoring capabilities regarding details of pay to enhance transparency and build stronger trust between employees and the payroll processing teams.

### Identify or acquire Workday reporting expertise

Minnesota State should identify resources to assist in developing custom reports to enhance the capabilities of tracking and reporting payroll data. There are many higher education institutions who have been using Workday for years and have developed robust reporting. Team Workday may also be helpful in this regard.

# Management's Responses

**Recommendation #2 – Minnesota State should strengthen its capabilities by enhancing and automating data tracking and reports:**

Leverage the implementation of Workday and its reporting capabilities

**Response:** *“Agree... currently dashboards requires the team to manually log and summarize known over and underpayments. An automated report would be a valuable enhancement ...providing reports such as the pay details report currently under development is of higher urgency and priority...”*

**Responsible Parties:** Senior System Director for HR Operations

**Anticipated Resolution:** TBD likely 2026

Provide employees with sufficient information about their pay

**Response:** *“Agree... The HCM team is actively working on a remedy... the team has a multi-step proposal to make progress towards being able to deliver a report which combines the three elements of the former pay detail report (Assignment Details, Scheduled Payments, and Paycheck Details) – within Workday.”*

**Responsible Parties:** Senior System Director for HR Operations, Workday Teams (HCM, FIN, TECH)

**Anticipated Resolution:** On-going though April 2025

Identify or acquire Workday reporting expertise

**Response:** *“Agree. To date, the Workday HCM team has appropriately prioritized remedies to integration failures and related defects which contributed to payroll processing delays and errors...The HCM team recently filled a vacant sustainment position to primarily focus on report writing”*

**Responsible Parties:** Senior System Director for HR Operations, Workday Teams (HCM, FIN, TECH)

**Anticipated Resolution:** On-going, starting with development and roll-out of new Faculty Pay Details Report expected in April 2025

# Recommendation

**Recommendation #3 – Minnesota State should enhance its authority and capability to collect payroll overpayments:**

Create and implement board policies and procedures to explicitly define the process and timelines for collecting overpayments

- The current process allows each institution to set timelines and parameters for collecting overpayments from employees, which can be lengthy and can lead to non-collection of overpayments.
- Minnesota State, working with the institutions, should collect the current backlog of payroll overpayments.
- Minnesota State should consider leveraging the accounts receivable reporting function in Workday to track and monitor the status of overpayments to employees.



# Management's Response

**Recommendation #3 – Minnesota State should enhance its authority and capability to collect payroll overpayments:**

Create and implement board policies and procedures to explicitly define the process and timelines for collecting overpayments

**Response:** *“Agree. In most cases, payroll adjustments should be processed to correct overpayments. However, before collecting an overpayment from an employee’s paycheck, Minnesota State must first obtain the employee’s written consent. Currently guidelines from MMB permits the option to repay “across several pay periods” through a set amount which will reduce the gross amount of each pay until the full amount of the overpayment is recovered. The absence of explicit system guidance and/or limits around “several pay periods” has resulted in repayment plans spanning multiple pay-periods and year(s) to recover an overpayment. **Action:** The System Office HR Division will publish System Guidelines for Processing Overpayments of Salary or Wages, setting timelines and parameters for the collection of overpayments”*

**Responsible Parties:** Vice Chancellor for Human Resources

**Anticipated Resolution:** March 2025

# Supplemental Information



## Open Recommendations from Prior Audits

**Internal Controls** – *“In addition to establishing a searchable, accessible document repository for all process and control documentation, service center leadership should review the current control environment to ensure sufficient controls are designed, documented, and communicated to all stakeholders. As the input of information starts at the campus level, collaboration between the entities will be necessary to ensure accurate information flows from the campus to the service center for processing. Once the above is complete, the Vice Chancellor for Human Resources, Associate Vice Chancellor for Human Resources, and System Director for HRIS and HR Shared Services should collaborate with Internal Audit during the risk assessment and audit plan development process to consider the inclusion of future payroll and HR processing internal control audits in the proposed annual audit plan.”*

**Institution and Service Center Accountability** – *“All transaction processing errors should be tracked, preferably systematically... Additionally, consider requiring the service center staff or supervisor to participate in the discussion with the affected employee, alongside campus HR, to help explain how the error occurred and the steps being taken to resolve the error... The service center should work with campuses to reassess, define, and enforce timelines, including processing cycle times and deadlines for faculty submissions, onboarding, and overall budgeting, to accommodate the impact on other key planning activities and cycles outside of payroll... Additionally, specific to faculty assignments, the service center should consider assigning two deadlines for assignments (i.e., sequenced or tiered processing). The first deadline would apply to faculty assignments not likely to change, and should occur prior to the start of the semester, to allow the service center time to process. The second deadline should be for faculty assignments likely to change, and occur after the add/drop period, when faculty assignments are more certain.”*

## Supplemental Late Course Data

Additional analysis was performed on 100 and 1000 level late course data to understand which course titles had a higher frequency of being added late across all institutions for fall 2024 semester. Late courses were only counted if the class beginning date was before 9/3/2024.

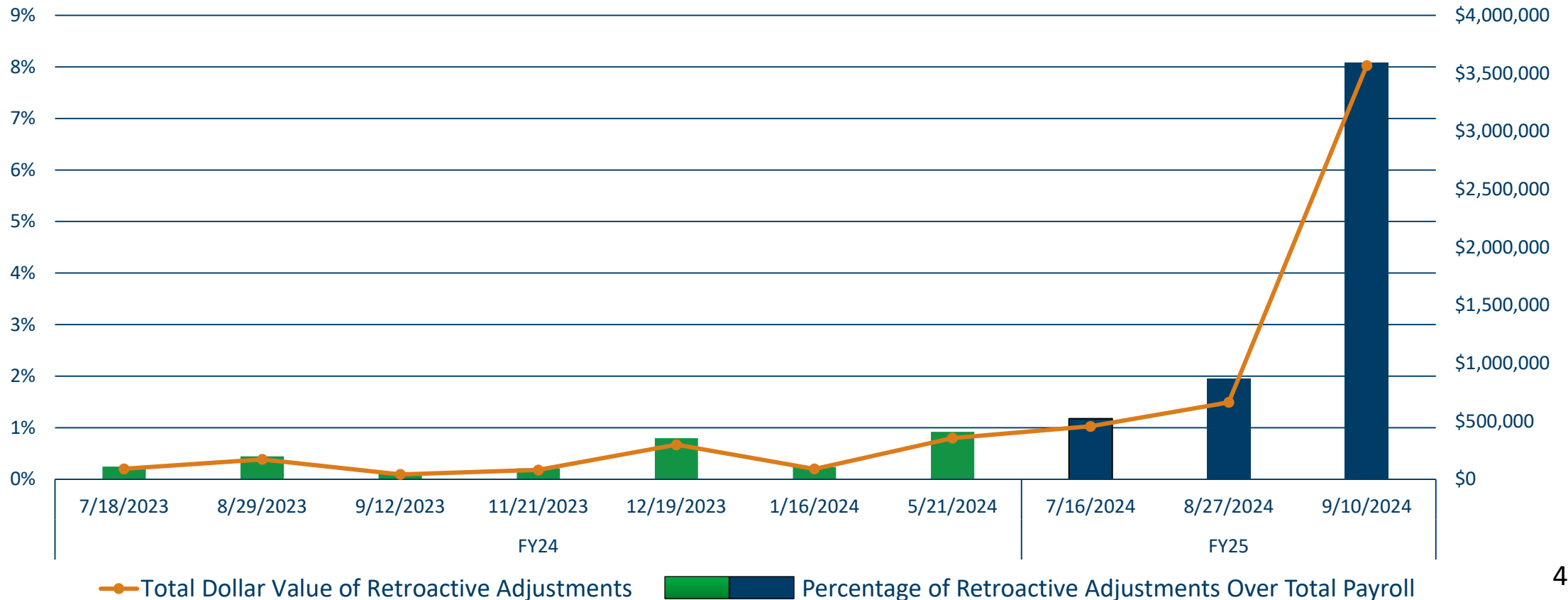
### Top 20 Most Frequent Systemwide Introductory Level Course Titles Added Late (100 & 1000 level courses only)

Rank	Course Title	Count of Unique Institutions	Applicable Course Numbers	Count of Late Courses
1	College Algebra	13	110, 1100, 1110, 1115, 1300, 1421, 1010, 1111, 1114, 1170, 1400, 115	55
2	Medical Terminology	9	1010, 1106, 1121, 1360, 1502, 1668, 1000, 1005, 1130	25
3	Nursing Assistant	6	1001, 1057, 1110, 1175, 1402, 1640	16
4	Composition I	5	1101, 1410, 1111	45
5	Introduction to Literature	5	110, 1105, 1140, 1322, 1165	18
6	General Psychology	5	1000, 1105, 1120, 1110, 100	12
7	Introduction to Farm Business Mgmt	4	1211	20
8	Managing and Modifying Farm System Data	4	1131	14
9	Implementing the System Mgmt Plan	4	1122	13
10	Preparation for Farm Business Analysis	4	1121	11
11	Foundations for Farm Business Mmgt	4	1112, 1812	10
12	Introduction to Business	4	1105, 1110, 1140, 1101	7
13	Interpersonal Communication	4	1020, 1103, 1111, 1200	5
14	Introductory Chemistry	3	1000, 1010, 1020	22
15	Public Speaking	3	102, 1430, 1101	20
16	American Government and Politics	3	1110, 1100, 1201	14
17	Calculus I	3	150, 1400, 1121	14
18	General Chemistry I	3	1010, 1101, 111	13
19	College Composition	3	1276, 1101, 1110	11
20	Interpreting and Using Farm System Data	3	1132	9

## Supplemental Retroactive Adjustment Data by Earnings Period

Additional analysis was performed on the dollar value impact of retroactive adjustments for each of the 10 sampled earning periods. This chart illustrates the cumulative dollar impact of retroactive adjustments for the 10 sampled earning periods.

**Total Dollar Value of Retroactive Adjustments by Earnings Pay Period (\$)**  
**Date Range: 7/18/2023 – 9/10/2024**



## Supplemental Retroactive Adjustment Data by Earnings Period (continued)

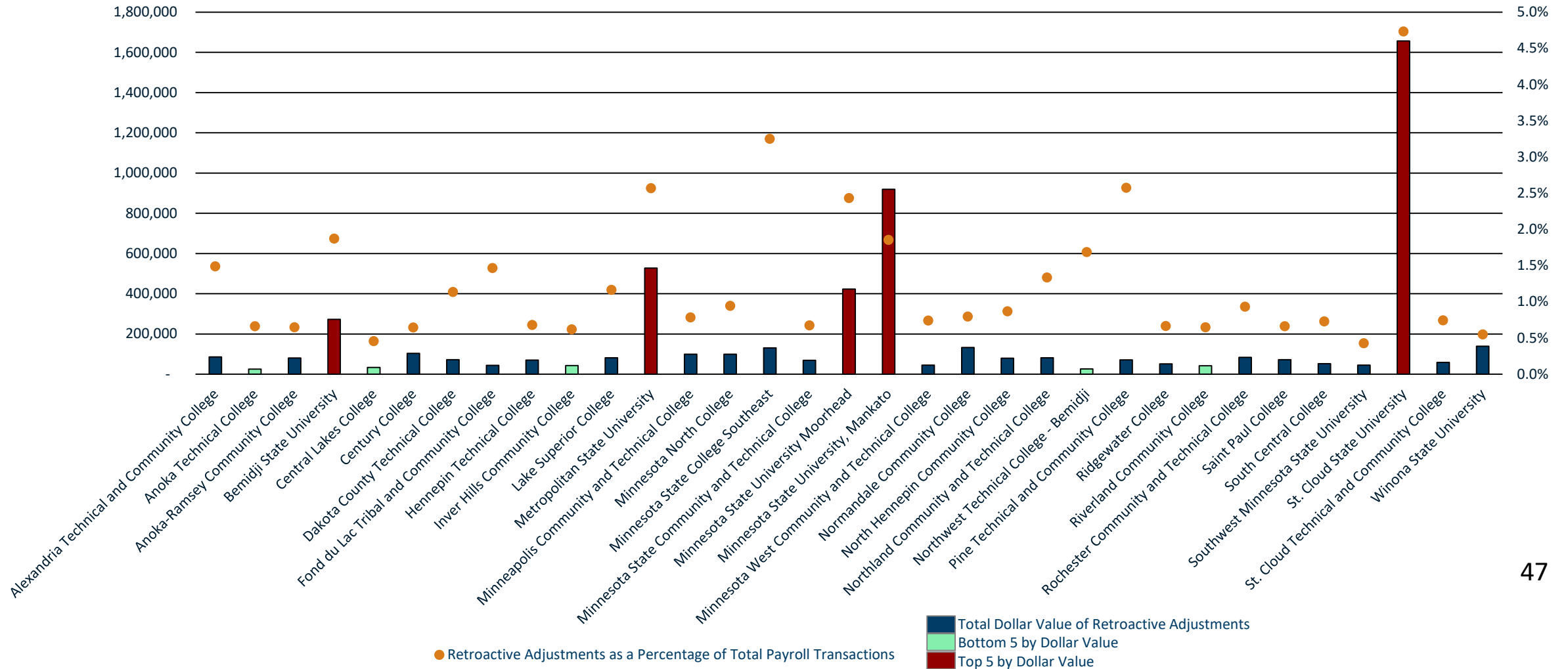
The following table displays the dollar value of retroactive adjustments in tabular format.

Fiscal Period	Earnings Period	Retroactive Adjustments as a Percentage of Total Payroll	Total Dollar Value of Retroactive Adjustments
FY24	7/18/2023	0.25%	\$ 90,481.11
	8/29/2023	0.45%	\$ 172,336.38
	9/12/2023	0.12%	\$ 42,614.18
	11/21/2023	0.21%	\$ 81,380.77
	12/19/2023	0.80%	\$ 298,723.81
	1/16/2024	0.24%	\$ 89,426.78
	5/21/2024	0.92%	\$ 356,554.63
FY25	7/16/2024	1.18%	\$ 457,365.22
	8/27/2024	1.95%	\$ 664,026.78
	9/10/2024	8.08%	\$ 3,567,609.50

# Supplemental Retroactive Adjustment Data by Institution

This chart illustrates the dollar value impact of retroactive adjustments for each institution.

## Total Dollar Value of Retroactive Transactions by Institution Date Range: 7/18/2023 – 9/10/2024



## Supplemental Retroactive Adjustment Data by Institution (continued)

This table displays the dollar value of retroactive adjustments in tabular format.

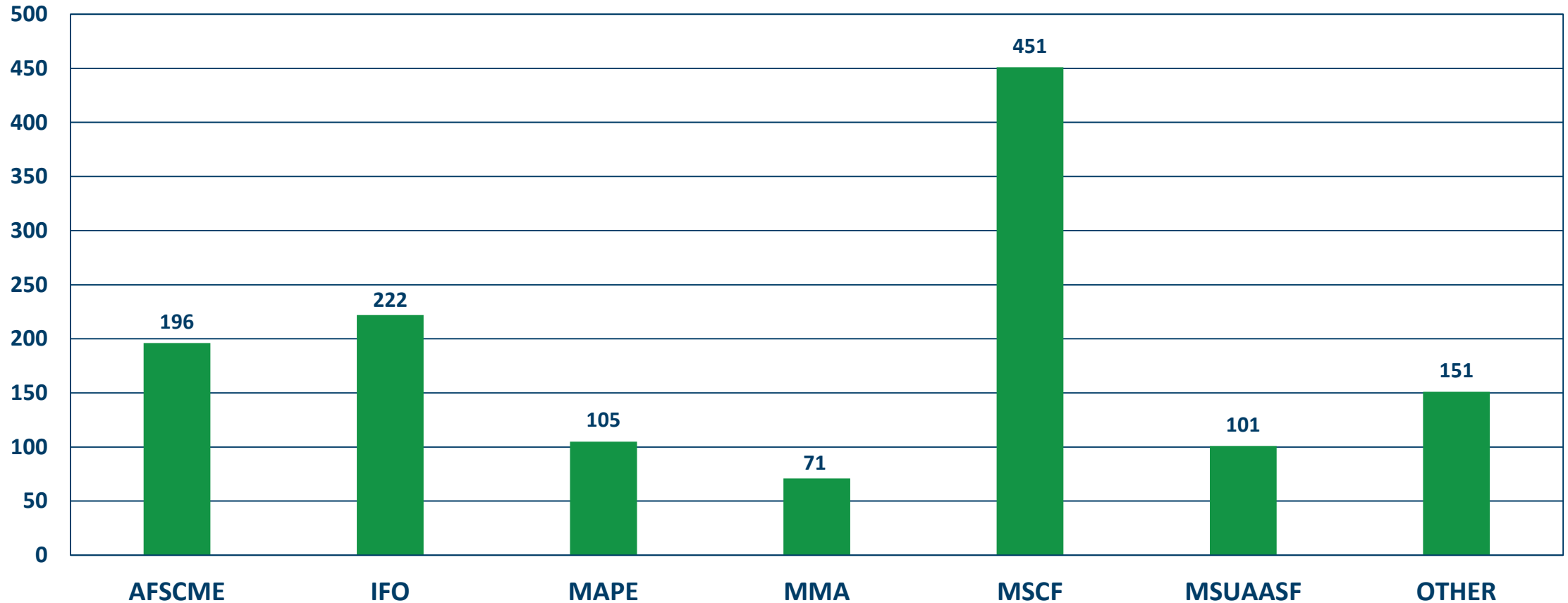
Institutions	Retroactive Adjustments as a Percentage of Total Payroll Transactions	Total Dollar Value of Retroactive Transactions (\$)
St. Cloud State University	4.73%	1,656,922
Minnesota State University, Mankato	1.85%	918,980
Metropolitan State University	2.57%	527,963
Minnesota State University Moorhead	2.43%	423,224
Bemidji State University	1.87%	273,064
Winona State University	0.55%	139,574
Normandale Community College	0.79%	132,521
Minnesota State College Southeast	3.25%	130,719
Century College	0.64%	103,832
Minnesota North College	0.94%	99,515
Minneapolis Community and Technical College	0.78%	99,240
Alexandria Technical and Community College	1.49%	85,548
Rochester Community and Technical College	0.93%	83,502
Northland Community and Technical College	1.34%	82,141
Lake Superior College	1.16%	81,831
Anoka-Ramsey Community College	0.65%	80,712
North Hennepin Community College	0.87%	79,769
Dakota County Technical College	1.14%	72,105
Saint Paul College	0.66%	71,772
Pine Technical and Community College	2.57%	70,891
Hennepin Technical College	0.68%	69,803
Minnesota State Community and Technical College	0.67%	68,685
St. Cloud Technical and Community College	0.74%	58,796
South Central College	0.73%	52,519
Ridgewater College	0.67%	51,041
Southwest Minnesota State University	0.43%	45,374
Minnesota West Community and Technical College	0.74%	44,608
Fond du Lac Tribal and Community College	1.47%	43,716
Inver Hills Community College	0.62%	42,547
Riverland Community College	0.65%	41,676
Central Lakes College	0.45%	33,670
Northwest Technical College - Bemidji	1.69%	25,935
Anoka Technical College	0.66%	25,095



## Off Cycle Checks by Bargaining Unit Number and Description

The following chart displays FY24 retroactive off-cycle checks separated by bargaining unit number and description. A retroactive off-cycle check is an off-cycle check with a paycheck date greater than ten days from the end of the earnings period which the off-cycle check is correcting.

### Count of Retroactive Off-Cycle Checks by Bargaining Description - FY24





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