

STATE UNIVERSITY SYSTEM

***SELECTED SCOPE FINANCIAL AUDIT**

Payroll/Personnel System

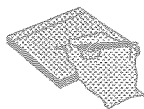
JULY 1, 1991 - MARCH 31, 1993

MARCH 1994

***See description of this new
report style in the following
Note to Report Readers.**

**Financial Audit Division
Office of the Legislative Auditor
State of Minnesota**

93-62



Note to Report Readers

The Financial Audit Division introduces a new report style in nine audits being released during the Summer of 1993. The division plans to use the new style on a trial basis and will later evaluate report readers' preferences. The new style replaces the traditional format of reporting only on an "exception basis." In the traditional format, auditors commented primarily on problems which the reports presented as findings and recommendations. Readers may have grown accustomed to using report length as a gauge for the extent of problems. With the new style, report length is not a reliable indicator of the extent of audit findings. These new reports contain more extensive factual and analytical data. Report readers should find this additional information useful. The division has attempted to make the new report style easy to identify and understand.

Identifying the New Report Style

The division distinguishes the new style reports by printing the report title in red ink, rather than the black ink used for traditional financial audit reports. All Financial Audit Division reports continue to use the gray-colored report covers. The report title shows through the window cutout on the gray cover. The inside cover page highlights the new style. This Note to Report Readers follows the inside cover page and describes the new style.

New Features

The new reports devote a separate chapter to each major audit area. Chapters contain detailed information on the audit scope, analytical results, and conclusions. Each chapter also elaborates on applicable management practices and processes. Financial auditors have always accumulated this additional information, but traditionally retained the information in the working papers and did not publish it as part of the final report.

To provide for a quick understanding of the audit results, the chapter structure allows readers to visually scan for items of interest or concern. Readers should look for the following features in each chapter:

1. The audit conclusions summarized at the beginning of the each chapter,
2. Tables and charts highlighting important financial information, and
3. Any audit findings and recommendations.

Aside from the format for presenting audit findings and recommendations, the new report style preserves the other elements of the traditional financial audit report. Report readers should recognize these other standard elements of the traditional reports: (1) Scope and Conclusions Letter, (2) Table of Contents, (3) Introduction, (4) Agency Response, and (5) an inserted Report Summary (although the new style uses a modified version of the report summary). Audit findings continue to be numbered and presented in bold-faced print. Recommendations are highlighted in italics. However, the Audit Findings and Recommendations are embedded in the appropriate report chapters, rather than aggregated in a separate report section.

Reasons for the Change

The traditional financial audit reports have several limitations. The reports often tend to be very technical documents. Also, reports with few findings communicate the audit results in a very abbreviated manner. Exception-based reporting requires auditors to either present audit findings or to simply state that the audit revealed no findings. This reporting style does not allow for positive conclusions or analysis of areas without audit findings.

The division was concerned about the risk that some report readers may have difficulty understanding audit results. It had begun to narrow its audit scope for several larger, more complex agencies. These "selected scope" audits were an effort to stretch scarce staff resources into as many audits as possible. But the division was particularly concerned that readers would project the audit results from a few selected programs to conclusions about an entity's overall financial management. The new report style more effectively presents the audit scope within the context of the entity's total operations.

Exception-based reporting does not fully accommodate the extent that auditors must exercise professional judgment. Auditors must interpret laws and policies. They must weigh the costs of control deficiencies against the benefits of preventing potential problems. It is particularly challenging to audit entities that are exempt from standard state policies and regulations. For those audits, the auditors must judge whether the entity has adopted "reasonable" and prudent practices for a public entity. Many issues require difficult decisions about whether or not an audit finding exists. Under the traditional report format, the auditor presents comments only when concluding that a finding exists. The new report style removes this limitation. Although the auditor's judgment remains important, the new report style also allows readers to reach their own conclusions.

Audits with the New Report Style

Look for the new report style in the audits of the following nine entities.

| | |
|---------------------------------|--|
| Department of Corrections | Department of Human Services |
| State University System | Community College System |
| Department of Natural Resources | University of Minnesota Medical School |
| Minnesota State Lottery | Environment and Natural Resources |
| State Public Defender | Trust Fund |

Eight of the nine are "selected scope" audits covering only some programs of the entity. The Minnesota State Lottery is an entity-wide audit limited to testing for legal compliance with state laws and regulations.

Share Your Comments

If you have comments about the new report style, please contact the Financial Audit Division at (612) 296-1730.



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Phil Riveness, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Elizabeth Pegues, President
Minnesota State University System Board

Members of the Minnesota State University Board

Dr. Terrence MacTaggart, Chancellor
State University System

Audit Scope

We have conducted a financial related audit of the State University System as of and for the period July 1, 1991 through March 31, 1993. Our audit was limited to the State University Systems financial activities attributable to the personnel transactions of its State University Personnel System (SUPS) at:

- Mankato State University,
- Metropolitan State University,
- St. Cloud State University, and
- Winona State University.

Chapter 1 provides a brief description of the State University Systems activities and finances. Chapters 2, 3 and 4 discuss the results of our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transactions of Mankato, St. Cloud, Winona, and Metropolitan State Universities are free of material misstatements.

For the internal control structure over personnel transactions at the universities listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation. Our review was more limited than would be necessary to express an opinion on the State University System's system of internal accounting control taken as a whole.

We performed tests of personnel transactions of the State University System's SUPS at Mankato, St. Cloud, Winona, and Metropolitan State University's to obtain reasonable assurance that they had, in all material respects, complied with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of the State University System is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition;
- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Techniques

The new State University Personnel System (SUPS) provides capability to monitor teaching and non instructional assignments and compensation. Using each campus' unique student registration system, we attempted to measure the actual teaching workload of selected faculty and compared it to the paid teaching credit load on SUPS. We requested information from university academic vice presidents and deans to assess faculty responsibilities and duties for SUPS release time assignments. Using SUPS, we were also able to focus on supplemental pay assignments, such as overload, honorariums, and grant compensation, and evaluate the reasonableness of this compensation in addition to normal salary. Finally, we were able to test other compensated incentives provided to faculty and unclassified administrators.

Conclusions

Our study and evaluation disclosed the conditions discussed in Chapters 2, 3, and 4 involving the internal control structure of the selected universities identified in the scope paragraph. We

Senator Phil Riveness, Chair
Members of the Legislative Audit Commission
Ms. Elizabeth Pegues, President
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Dr. Terrence MacTaggart, Chancellor
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consider these conditions to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data.


A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial activities being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe that none of the reportable conditions are material weaknesses.

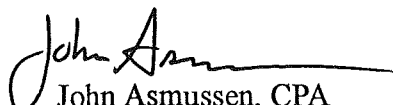
We also noted other matters involving the internal control structure and its operation that we reported to the management of the State University System at a meeting held on February 1, 1994.

The results of our tests indicate that, except for the issue discussed in findings 7 and 8, with respect to the items tested, Mankato, St. Cloud, Winona, and Metropolitan State Universities complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that Mankato, St. Cloud, Winona, and Metropolitan State Universities had not complied, in all material respects, with those provisions.

Pursuant to Minn. Stat. Section 3.975, finding 8 of this report shall be referred to the Attorney General. The Attorney General has the responsibility to ensure the recovery of state funds and in fulfilling that role may negotiate the propriety of individual claims.

This report is intended for the information of the Legislative Audit Commission and management of the State University System. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 4, 1994.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: May 28, 1993

Report Signed On: February 24, 1994

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

| | |
|---------------------|----------------------------|
| John Asmussen, CPA | Deputy Legislative Auditor |
| Tom Donahue, CPA | Audit Manager |
| Brad White, CPA | Auditor-in-Charge |
| Mary Annala, CPA | Auditor |
| Janet Knox, CPA | Auditor |
| Dave Polisenio, CPA | Auditor |

Exit Conference

The issues in this report were discussed with the following staff of the Minnesota State University System on February 1, 1994:

| | |
|-------------------------|--------------------------------------|
| Dr. Terrence MacTaggart | Chancellor |
| Ed McMahon | Vice Chancellor of Finance |
| Gerald Rushenberg | Associate Vice Chancellor of Finance |
| Al Finlayson | Director of Internal Audit |
| Dr. Douglas Sweetland | Vice President Academic Affairs |
| | Winona State University |

State University System

Chapter 1. Introduction

The Minnesota State University System operates seven universities under the control and direction of a nine member board. The State University Board appoints a chancellor to oversee system operations and also appoints university presidents for each campus. Dr. Terrence MacTaggart is the current system chancellor. The Chancellor's Office staff provide policy leadership and coordination of the system as a whole and coordinates financial activities for accounting, budgeting, financial reporting, labor relations, and construction, among other things.

State universities operate finances fairly autonomously. Decisions on university structure and program spending priorities are made at the campus level. Individual university operations are financed mainly from state appropriations, tuition and fee assessments. The Chancellor's Office allocates state General Fund appropriations to each university. Minn. Stat. Sec. 136.031 provides authority for carry forward of unexpended funds from year to year and biennium to biennium. According to records in the Chancellor's Office, carry forward balances from fiscal year 1992 to 1993 was approximately \$23.8 million. The systems' operating budget reflects the major financial revenue and expense components as shown in Table 1-1 below:

Table 1-1
State University System
Summary of Financial Budget

| | <u>1993</u> | | <u>1992</u> | |
|---------------------------|----------------------|-----|----------------------|-----|
| Appropriation allocations | \$175,821,000 | 62% | \$172,505,000 | 63% |
| Tuition and Fees | <u>107,707,000</u> | 38% | <u>102,198,000</u> | 37% |
| Total Revenue Budget | <u>\$283,527,000</u> | | <u>\$274,703,000</u> | |
| Personnel Costs | \$229,681,000 | 81% | \$220,418,000 | 80% |
| Operating Costs | <u>53,846,000</u> | 19% | <u>54,285,000</u> | 20% |
| Total Expenditure Budget | <u>\$283,527,000</u> | | <u>\$274,703,000</u> | |

Source: State University Board Accounting and Allocation Records.

Note: Carry forward balances, the SUS's capital budget and off-SWA activities are not presented.

Instructional financial activities of the universities are accounted for on the statewide accounting system (SWA). State appropriations are the main funding source, while payroll costs, including salaries and fringe benefits, represent the largest State University System expenditure.

State University System

Other financial activities are accounted for off-SWA, including federal financial aid, the State University Revenue Fund (dormitories and student unions), and university activity funds. Local bank accounts are maintained for these activities. The State University Board has established policies governing off-SWA activities.

Tables 1-2 and 1-3 present the operating budgets for the universities we reviewed for fiscal years 1992 and 1993 respectively.

Table 1-2
State University System
Fiscal Year 1992 University Budget Allocations
Amounts in (000)'s

| | <u>Mankato</u> | <u>Metro</u> | <u>St. Cloud</u> | <u>Winona</u> | <u>Others</u> | <u>Total</u> | <u>Percent</u> |
|-------------------------|-----------------|-----------------|------------------|-----------------|-----------------|------------------|----------------|
| State Appropriations | \$41,736 | \$ 9,208 | \$41,376 | \$22,896 | \$57,289 | \$172,505 | 63% |
| Tuition and Fee Revenue | <u>27,724</u> | <u>5,421</u> | <u>25,601</u> | <u>12,227</u> | <u>33,225</u> | <u>102,198</u> | 37% |
| Total Revenue Budget | <u>\$67,460</u> | <u>\$14,629</u> | <u>\$66,977</u> | <u>\$35,123</u> | <u>\$90,514</u> | <u>\$274,703</u> | 100% |
| Personnel Costs | \$54,149 | \$ 9,997 | \$54,229 | \$28,356 | \$73,687 | \$220,418 | 80% |
| Operating Costs | <u>13,311</u> | <u>4,632</u> | <u>12,748</u> | <u>6,767</u> | <u>16,827</u> | <u>54,285</u> | 20% |
| Total Expense Budget | <u>\$67,460</u> | <u>\$14,629</u> | <u>\$66,977</u> | <u>\$35,123</u> | <u>\$90,514</u> | <u>\$274,703</u> | 100% |

Source: Fiscal Year 1992 State University Board Accounting and Allocation Records (as of 9/30/92).

Note: SUS carry forward balances, capital budget and off-SWA activities not presented.

Table 1-3
State University System
Fiscal Year 1993 University Budget Allocations
Amounts in (000)'s

| | <u>Mankato</u> | <u>Metro</u> | <u>St. Cloud</u> | <u>Winona</u> | <u>Others</u> | <u>Total</u> | <u>Percent</u> |
|-------------------------|-----------------|-----------------|------------------|-----------------|-----------------|------------------|----------------|
| State Appropriations | \$41,689 | \$ 9,417 | \$41,132 | \$22,027 | \$61,556 | \$175,821 | 62% |
| Tuition and Fee Revenue | <u>26,803</u> | <u>6,532</u> | <u>27,517</u> | <u>13,401</u> | <u>33,454</u> | <u>107,707</u> | 38% |
| Total Revenue Budget | <u>\$68,492</u> | <u>\$15,949</u> | <u>\$68,649</u> | <u>\$35,428</u> | <u>\$95,010</u> | <u>\$283,528</u> | 100% |
| Personnel Costs | \$56,551 | \$11,121 | \$57,376 | \$29,395 | \$75,238 | \$229,681 | 81% |
| Operating Costs | <u>11,941</u> | <u>4,828</u> | <u>11,273</u> | <u>6,033</u> | <u>19,771</u> | <u>53,846</u> | 19% |
| Total Expense Budget | <u>\$68,492</u> | <u>\$15,949</u> | <u>\$68,649</u> | <u>\$35,428</u> | <u>\$95,009</u> | <u>\$283,527</u> | 100% |

Source: Fiscal Year 1993 State University Board Accounting and Allocation Records (as of 12/2/92).

Note: SUS carry forward balances, capital budget and off-SWA activities not presented.

State University System

Personnel Costs:

Personnel costs are the largest expenditure category for state universities. Approximately 80 percent of university spending is for salary and fringe costs. Our audit focused on four universities (Mankato, St. Cloud, Winona, and Metropolitan State) and covered approximately 67 percent of the total State University System payroll costs.

The universities employ personnel in the classified and unclassified service. Unclassified personnel represent approximately 60 percent of the personnel budget and consist of:

- Faculty employed under the terms of an agreement between the Inter Faculty Organization (IFO) and the Minnesota State University Board,
- Administrative management compensated under the Minnesota State University System Personnel Plan for Excluded Administrators and Professionals, and
- Other administrative and service employees covered under an agreement between the Minnesota State University Board and Minnesota State University Association of Administrative and Service Faculty (MUSAAF).

The remaining staff are classified in the state civil service and fall within various bargaining units similar to other state agencies. Fringe benefits are processed and controlled through the State's Central Payroll System. Tables 1-4 and 1-5 reflect the personnel budgets for the four universities we reviewed for fiscal years 1992 and 1993 respectively.

Personnel budget funds are allocated on the basis of a "two-year lagged enrollment". For example, student enrollment for fiscal year 1990 is a determinant in the number of classified and unclassified positions for fiscal year 1992. Once system resources are distributed, each university has broad latitude to oversee and control its internal departmental budgets. The budget allocations shown above do not recognize year-end balances. According to Minn. Stat. Section 136.031, each university is allowed to carry balances forward from year to year. Personnel allocations for summer sessions equal the amount of total tuition received by the universities.

State University System

Table 1-4
State University System
Fiscal Year 1992 Personnel Budget Allocations
Amounts in (000)'s

| | <u>Mankato</u> | <u>Metro</u> | <u>St. Cloud</u> | <u>Winona</u> | <u>Others</u> | <u>Total</u> | <u>Percent</u> |
|----------------------|-----------------|----------------|------------------|-----------------|-----------------|------------------|----------------|
| Unclassified | \$33,101 | \$6,204 | \$32,997 | \$17,007 | \$42,673 | \$131,982 | 60% |
| Classified | 9,582 | 2,046 | 9,849 | 5,364 | 15,525 | 42,366 | 19% |
| Fringe Benefits | 10,679 | 1,592 | 10,601 | 5,581 | 14,488 | 42,941 | 19% |
| Other Contract Items | <u>788</u> | <u>154</u> | <u>783</u> | <u>404</u> | <u>1,000</u> | <u>3,129</u> | 1% |
| Total | <u>\$54,150</u> | <u>\$9,996</u> | <u>\$54,230</u> | <u>\$28,356</u> | <u>\$73,686</u> | <u>\$220,418</u> | 100% |

Source: Fiscal Year 1992 State University Board Accounting and Allocation Records (as of 9/30/92).

Figure 1-1
FY92 Personnel Costs

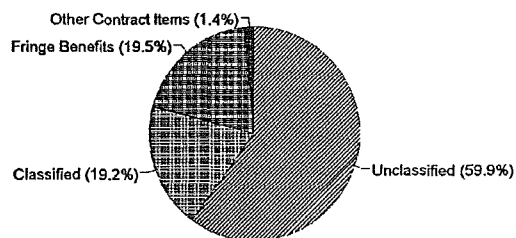
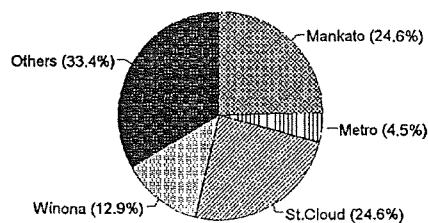


Figure 1-2
FY92 Personnel Costs
by Campus



State University System

Table 1-5
State University System
Fiscal Year 1993 Personnel Budget Allocations
Amounts in (000)'s

| | <u>Mankato</u> | <u>Metro</u> | <u>St. Cloud</u> | <u>Winona</u> | <u>Others</u> | <u>Total</u> | <u>Percent</u> |
|----------------------|-----------------|-----------------|------------------|-----------------|-----------------|------------------|----------------|
| Unclassified | \$34,830 | \$6,852 | \$35,100 | \$17,624 | \$43,614 | \$138,020 | 60% |
| Classified | 9,990 | 2,234 | 10,293 | 5,661 | 16,088 | 44,266 | 19% |
| Fringe Benefits | 10,851 | 1,857 | 11,110 | 5,676 | 14,507 | 44,001 | 19% |
| Other Contract Items | <u>880</u> | <u>178</u> | <u>873</u> | <u>434</u> | <u>1,029</u> | <u>3,394</u> | 1% |
| Total | <u>\$56,551</u> | <u>\$11,121</u> | <u>\$57,376</u> | <u>\$29,395</u> | <u>\$75,238</u> | <u>\$229,681</u> | 100% |

Source: Fiscal Year 1993 State University Board Accounting and Allocation Records (as of 12/2/92).

Figure 1-3
FY93 Personnel Costs

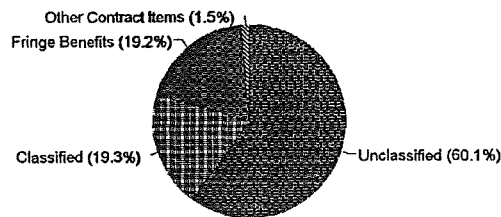
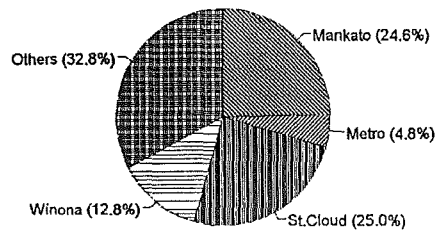


Figure 1-4
FY93 Personnel Costs
by Campus



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Chapter 2. State University Personnel System (SUPS)

Chapter Conclusions

The SUPS system provides the capability for the universities to manage and control both classified and unclassified personnel costs. It also provides the State University System with a valuable management tool. The system accurately processes payroll transactions into the State's payroll/personnel system (PPS) which generates the payroll warrants. The SUPS system accurately records classified employee work assignments and salary obligations. It also identifies unclassified faculty salaries and workload assignments. However, some work assignments involving faculty release time and overload compensation are not accurately reflected on SUPS, as discussed in Chapter 3. In addition, certain control weaknesses include inconsistent use of assignment codes, limited distribution of SUPS reports, unnecessary staff access to enter SUPS transactions and failure to retain error reports. These shortcomings should be resolved so that management can utilize SUPS to its fullest potential.

The State University System Chancellor's Office developed the State University Personnel System (SUPS) in 1991 to budget, forecast, and control personnel costs. SUPS is essentially a database of employee salaries maintained on a mainframe computer at St. Cloud State University. This system interfaces payroll balances into an internal budget and accounting system which is used to control university departmental spending. SUPS updates the biweekly pay rate information on the State of Minnesota's Personnel/Payroll System (PPS). PPS then processes fringe benefits and taxes, and prints university payroll warrants. Most universities also use SUPS to print written appointment contracts provided to university faculty.

Classified employee payroll obligations are maintained and accumulated in a separate assignment code on SUPS. SUPS converts salaries for each classified individual into an hourly pay rate for processing biweekly payroll transactions. For these employees, the universities enter hours worked into the state's Personnel/Payroll System (PPS) each pay period.

The State University Personnel System (SUPS) identifies obligations for all types of unclassified employee salaries. It also identifies faculty instructional and non-teaching assignments. The SUPS system provides university management with current information regarding:

- faculty instructional assignments;
- overload and supplemental compensation; and
- the extent of university funding committed towards non instructional causes such as faculty release time and sabbaticals.

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For faculty instructional assignments, the system provides a measure of compensated teaching credit load each quarter, and allows informed workload and staffing decisions. Since the system identifies regular faculty workload, management may assess eligibility for overload and supplemental compensation.

The State University System Chancellor's Office summarized FY 1992 and FY 1993 costs for selected SUPS faculty assignments provided in Tables 2-1 and 2-2 respectively.

State University System

Table 2-1
State University Personnel System (SUPS)
Actual Salary Assignments
Fiscal Year 1992

| SUPS Assignment | Mankato | Metro | St.Cloud | Winona | Other | TOTAL |
|---------------------------|-------------------|------------------|-------------------|-------------------|-------------------|--------------------|
| FACULTY: | | | | | | |
| Instruction | 18,680,145 | 1,107,321 | 22,569,371 | 10,159,197 | 23,886,614 | 76,402,648 |
| Part-Time Instruction | 788,690 | 2,193,588 | 721,290 | 410,229 | 714,144 | 4,827,941 |
| Graduate Assistants | 1,932,261 | 191,879 | 0 | 90,579 | 240,173 | 2,454,892 |
| Summer School | 1,534,929 | 0 | 1,385,807 | 542,267 | 1,008,886 | 4,471,889 |
| Overload | 762,878 | 84,779 | 509,319 | 312,381 | 885,973 | 2,555,330 |
| Release-Chair/Dir | 1,368,671 | 155,037 | 1,441,362 | 847,344 | 1,025,800 | 4,838,214 |
| Release-Research | 368,336 | 0 | 3,838 | 0 | 45,104 | 417,278 |
| Release-Admin/Union | 52,977 | 1,296,331 | 0 | 89,122 | 133,641 | 1,572,071 |
| Release-Coaching | 0 | 0 | 0 | 117,128 | 326,138 | 443,266 |
| Release-Other | 362,283 | 0 | 212,687 | 79,787 | 551,569 | 1,206,326 |
| Extended Days-Chr/Dir | 421,181 | 61,596 | 346,170 | 255,898 | 577,605 | 1,662,450 |
| Extended Days-Coach | 104,681 | 0 | 41,121 | 34,947 | 44,591 | 225,340 |
| Extended Days-Lib/Cour | 292,994 | 0 | 126,695 | 87,440 | 115,041 | 622,170 |
| Extended Days-Other | 183,740 | 40,999 | 117,770 | 87,209 | 228,917 | 658,635 |
| Replacement | 15,951 | 25,227 | 32,998 | 76,816 | 630,221 | 781,213 |
| Stud Tch/Intern Supv | 81,209 | 0 | 15,551 | 18,182 | 51,586 | 166,528 |
| Librarian | 1,205,712 | 18,161 | 1,066,920 | 280,457 | 674,619 | 3,245,869 |
| Counselor | 286,081 | 0 | 188,154 | 136,121 | 546,343 | 1,156,699 |
| Non-Teaching Faculty | 1,418,581 | 0 | 37,650 | 55,805 | 203,532 | 1,715,568 |
| Adjustments | 181,540 | 0 | 148,716 | 70,308 | 76,201 | 476,765 |
| Fees/Honorariums | 120,127 | 65,492 | 153,733 | 166,848 | 105,591 | 611,791 |
| Grants | 191,922 | 5,461 | 332,651 | 50,687 | 84,474 | 665,195 |
| Paid Leave-Sabbaticals | 659,552 | 126,900 | 391,919 | 477,598 | 875,025 | 2,530,994 |
| Paid Leave-Other | 11,615 | 0 | 45,086 | 153,669 | 133,203 | 343,573 |
| Early Separation Incentiv | 356,540 | 0 | 254,575 | 184,067 | 351,198 | 1,146,380 |
| Severance | 429,058 | 6,900 | 362,868 | 254,365 | 226,206 | 1,279,397 |
| Misc Assignments | 25,081 | 21,424 | 76,506 | 175,193 | 67,428 | 365,632 |
| TOTAL FACULTY | 31,836,735 | 5,401,095 | 30,582,757 | 15,213,644 | 33,809,823 | 116,844,054 |
| CLASSIFIED: | | | | | | |
| Regular | 11,313,209 | 1,880,127 | 10,811,397 | 5,983,548 | 14,839,360 | 44,827,641 |
| Temporary/Seasonal | 200,063 | 71,533 | 493,447 | 19,255 | 733,743 | 1,518,041 |
| Other | 82,887 | 306 | 68,688 | 73,551 | 129,515 | 354,947 |
| TOTAL CLASSIFIED | 11,596,159 | 1,951,966 | 11,373,532 | 6,076,354 | 15,702,618 | 46,700,629 |
| MUSAAF | 2,428,001 | 982,135 | 2,643,391 | 1,751,338 | 4,738,933 | 12,543,798 |
| Excluded | 2,352,685 | 794,516 | 1,632,325 | 1,051,588 | 2,757,261 | 8,588,375 |
| TOTAL ADMIN | 4,780,686 | 1,776,651 | 4,275,716 | 2,802,926 | 7,496,194 | 21,132,173 |
| GRAND TOTAL | 48,213,580 | 9,129,712 | 46,232,005 | 24,092,924 | 57,008,635 | 184,676,856 |

SOURCE: State University System Chancellor's Office - SUPS Assignment Summary Report dated 10/15/93

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Table 2-2
State University Personnel System (SUPS)
Actual Salary Assignments
Fiscal Year 1993

| SUPS Assignment | Mankato | Metro | St.Cloud | Winona | Other | TOTAL |
|---------------------------|-------------------|------------------|-------------------|-------------------|-------------------|--------------------|
| FACULTY: | | | | | | |
| Instruction | 19,433,209 | 1,066,433 | 22,572,635 | 11,024,357 | 23,155,481 | 77,252,115 |
| Part-Time Instruction | 751,375 | 2,010,070 | 684,793 | 311,106 | 685,969 | 4,443,313 |
| Graduate Assistants | 2,061,689 | 210,675 | 0 | 131,884 | 272,343 | 2,676,591 |
| Summer School | 1,577,230 | 0 | 1,342,385 | 610,758 | 1,119,435 | 4,649,808 |
| Overload | 821,724 | 121,478 | 358,640 | 271,344 | 808,356 | 2,381,542 |
| Release-Chair/Dir | 1,445,714 | 181,728 | 1,452,296 | 830,610 | 1,861,853 | 5,772,201 |
| Release-Research | 605,431 | 0 | 59,634 | 0 | 115,514 | 780,579 |
| Release-Admin/Union | 76,381 | 1,045,268 | 0 | 83,734 | 103,758 | 1,309,141 |
| Release-Coaching | 0 | 0 | 239,577 | 108,061 | 324,787 | 672,425 |
| Release-Other | 324,305 | 156,297 | 291,344 | 97,337 | 816,530 | 1,685,813 |
| Extended Days-Chr/Dir | 447,242 | 52,581 | 379,017 | 279,449 | 593,547 | 1,751,836 |
| Extended Days-Coach | 126,025 | 0 | 48,023 | 25,852 | 53,863 | 253,763 |
| Extended Days-Lib/Cour | 257,906 | 0 | 129,967 | 93,278 | 136,680 | 617,831 |
| Extended Days-Other | 111,768 | 73,031 | 213,162 | 82,513 | 224,369 | 704,843 |
| Replacement | 106,279 | 53,142 | 33,901 | 258,637 | 1,001,341 | 1,453,300 |
| Stud Tch/Intern Supv | 82,508 | 4,880 | 72,552 | 2,973 | 40,954 | 203,867 |
| Librarian | 1,097,245 | 30,509 | 807,998 | 342,316 | 731,017 | 3,009,085 |
| Counselor | 194,270 | 164,820 | 202,605 | 106,682 | 527,848 | 1,196,225 |
| Non-Teaching Faculty | 1,363,373 | 0 | 672,416 | 112,501 | 616,207 | 2,764,497 |
| Adjustments | 131,275 | 6,185 | 79,100 | 51,882 | 98,016 | 366,458 |
| Fees/Honorariums | 96,390 | 113,821 | 196,442 | 199,603 | 131,420 | 737,676 |
| Grants | 315,752 | 6,273 | 180,452 | 29,500 | 95,506 | 627,483 |
| Paid Leave-Sabbaticals | 1,092,913 | 78,480 | 684,976 | 608,657 | 1,069,817 | 3,534,843 |
| Paid Leave-Other | 0 | 71,034 | 11,992 | 79,515 | 112,086 | 274,627 |
| Early Separation Incentiv | 379,135 | 2,794 | 228,782 | 216,079 | 572,330 | 1,399,120 |
| Severance | 95,401 | 37,846 | 351,248 | 37,639 | 264,192 | 786,326 |
| Misc Assignments | 122,845 | 371,095 | 304,172 | 201,188 | 246,126 | 1,245,426 |
| TOTAL FACULTY | 33,117,385 | 5,858,440 | 31,598,109 | 16,197,455 | 35,779,345 | 122,550,734 |
| CLASSIFIED: | | | | | | |
| Regular | 11,178,867 | 1,966,552 | 11,016,980 | 5,751,218 | 14,588,272 | 44,501,889 |
| Temporary/Seasonal | 663,334 | 86,284 | 630,882 | 411,612 | 1,087,796 | 2,879,908 |
| Other | 43,261 | 24,347 | 80,037 | 53,146 | 126,498 | 327,289 |
| TOTAL CLASSIFIED | 11,885,462 | 2,077,183 | 11,727,899 | 6,215,976 | 15,802,566 | 47,709,086 |
| MUSAAF | 2,529,524 | 1,023,722 | 2,722,312 | 1,784,116 | 4,820,784 | 12,880,458 |
| Excluded | 2,373,885 | 844,947 | 1,608,031 | 1,204,620 | 2,791,106 | 8,822,589 |
| TOTAL ADMIN | 4,903,409 | 1,868,669 | 4,330,343 | 2,988,736 | 7,611,890 | 21,703,047 |
| GRAND TOTAL | 49,906,256 | 9,804,292 | 47,656,351 | 25,402,167 | 59,193,801 | 191,962,867 |

SOURCE: State University System Chancellor's Office - SUPS Assignment Summary Report dated 10/15/93

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The State University Personnel System (SUPS) is an effective tool to use in monitoring and evaluating compensation paid to faculty. However, we found that universities do not always properly maintain and utilize SUPS information effectively. We noted the following shortcomings that limit the value of SUPS to the universities management :

- Academic departments do not always update SUPS for changes to faculty instructional and non instructional responsibilities, as discussed in Chapter 3;
- Universities do not consistently code SUPS assignments; and,
- University Payroll/Personnel offices do not routinely distribute SUPS reports to department administrators and university management.

In addition, certain control weaknesses were noted that may increase the potential for SUPS errors and irregularities to occur and go undetected:

- SUPS access controls require improvement; and
- SUPS to PPS error reports are not retained and one campus does not prepare this report and investigate errors timely.

1. Assignment codes are inconsistently used between universities.

Personnel staff at each university inconsistently code certain SUPS assignments. Assignment codes for coaching, fees and honorariums, and grants are not consistently used. Also, miscellaneous salary adjustments are coded in various ways. This coding inconsistency makes it difficult to analyze and assess assignments between universities. Consistent coding would improve comparability of faculty personnel costs between campuses and identify any disproportionate spending in certain assignment areas.

Athletic coaching assignments appear on SUPS in various ways. SUPS contains three categories of coaching assignments, however, the SUPS operating manual does not effectively differentiate these categories. Universities appear to use these codes for head coaches only and not assistant coaches. Mankato State University coded coaches to an "other non teaching" assignment code. St. Cloud State University coded assistant coaches to "Release Time-Other". For coaching costs to be effectively identified and accumulated, campuses must consistently code coaching assignments.

The fee/honorarium assignment code contains a large variety of grants and miscellaneous salary adjustments. We found the following examples of inaccurate SUPS assignment amounts for FY 1993:

- Winona State University miscoded grants for \$44,935 as honorariums;
- St. Cloud State University fees\honorariums totaling \$21,266 were actually grants and salary adjustments; and,

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- Mankato State University miscoded grievance salary adjustments and lump-sum severance payments for \$12,182 to the fee honorarium assignment code.

Honorariums should only include faculty payments for outside workshops, seminars and other non-credit courses. Grants and salary adjustments have separate SUPS assignment codes. Salary adjustments and other lump-sum awards must be properly identified for management awareness. Separating grants, adjustments, and honorariums will allow universities to identify and scrutinize actual outside fees/honorariums received by faculty.

Recommendation

- *Universities should work with the Chancellor's Office to establish consistent usage of SUPS assignment codes.*

2. University payroll/personnel offices do not distribute SUPS assignment reports to university academic departments for review.

SUPS assignment information is too confined to university personnel and payroll offices. SUPS reports are not routinely made available to academic departments for scrutiny and review for accuracy each quarter. Lack of administrative awareness of SUPS assignments diminishes the value of such a system. Currently, academic deans and department chairs utilize the university accounting system to budget and control department payroll spending in total. Without distribution of SUPS assignment reports to university departments, administrative management lack valuable information to make informed decisions about salary and overall compensation paid at an individual faculty member level.

Academic deans must review SUPS reports for accuracy of faculty assignments for their departments. An individual faculty member may have several assignment types which comprise their full-time salary. In addition many faculty also earn supplemental compensation for overload and grant assignments. Because of the complexity and dynamic nature of faculty assignments, routine reports must be generated to update all assignment types and related compensation for each faculty.

Currently SUPS summary information is not disseminated to university management. The SUPS system has great capability to generate meaningful management reports. Those reports would allow greater awareness of spending levels on instructional versus non instructional costs.

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Recommendation

- *SUPS assignment reports should be routinely distributed to and reviewed by university department administration. Universities should develop and distribute SUPS summary reports for management to be informed of spending levels on various SUPS instructional and non instructional assignments.*

3. SUPS system access controls require improvement.

SUPS access controls at university campuses are inadequate. Universities approve unnecessary security clearances that allow too many employees to record data on SUPS. Universities often intend for most employees to only have inquiry capability, however, unless specified, these employees may also write data to SUPS. As a result, the potential exists for unauthorized transactions or assignment changes to be entered into the system.

The primary problem is SUPS provides write capability as the default clearance. Management authorization for SUPS clearance must specify when "read only" is desired. Generally, management authorization for write capability should be much more strict than inquiry. Since most employees requesting access predominately need "read only" capability, it seems logical that this should be made the default clearance type.

Two of the four universities we reviewed allowed unnecessary SUPS security clearances for employees to update SUPS data. These employees have no responsibility to process or maintain payroll data. St. Cloud State University had appropriately restricted access. Mankato State University management corrected its security clearance in late April, 1993. We found the following problems associated with Winona and Metropolitan State Universities:

- Winona State University provided clearance coincidentally for both personnel and payroll access;
- Metropolitan State University had not canceled clearance for one former employee who had terminated employment.

Universities need to be reminded to limit SUPS update clearance to only those employees who need access to perform their job responsibilities.

Recommendations

- *SUPS access should be restricted to university personnel who need clearance to perform job responsibilities.*
- *The Chancellor's Office should modify SUPS access features by prompting "read only" default clearance.*

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4. Universities do not retain SUPS to PPS error reports and one campus does not produce the report timely.

Universities do not retain biweekly error reports that identify differences between the SUPS and PPS systems. Without such evidence, there is no assurance that this key control was performed to identify and resolve differences, nor justification for changes made to either system. Unauthorized changes could occur and not be detected. One university does not produce this error report timely to promptly investigate any differences. SUPS salary assignments can differ from biweekly PPS payroll transactions, without being detected and corrected timely.

St. Cloud State University does not produce the SUPS to PPS error report immediately after the pay period ends. This exception report will identify employees recorded differently on the systems, errors in pay rates or pay rate methods, and differences in the effective start date for promotions or supplemental compensation. Delays in producing this report weakens control over the payroll processing cycle. Any differences detected when this report is generated cannot be corrected or adjusted until a subsequent date, rather than the current pay period.

Other campuses that produce the SUPS to PPS error report, do not retain it to justify and support the corrections that were made. Without retaining the report, there is no assurance that university personnel perform this key control, investigate any differences timely, and make only authorized changes.

Recommendation

- *Universities should prepare SUPS to PPS error reports promptly and investigate differences timely. Error reports should be retained to identify differences and show how these differences were resolved.*

Chapter 3: Faculty Workload and Compensation

Chapter Conclusions

The State University Personnel System (SUPS) provides a written record of faculty credits taught and compensated for each quarter. However, our review of the SUPS assignment reports identified several problems. Certain work assignments involving faculty release time and overload compensation are not always recorded accurately or completely on SUPS. As a result, the credit load data recorded on SUPS is inaccurate and does not reflect actual credits taught by faculty. We also noted that overload compensation is sometimes paid to faculty who teach less than a regular load.

University faculty are bound by an agreement between the Minnesota State University Board and the Inter Faculty Organization (IFO). This agreement specifies workload and compensation terms for faculty. Most faculty are primarily involved in classroom teaching. Non-teaching faculty include those involved in library/learning resources, counseling center, student teacher and intern supervision, and laboratory teaching.

The IFO agreement specifies that for regular contract faculty members there shall be 168 duty days within the academic year. The agreement measures faculty workload during these contract days in undergraduate credit hours. Article 10 of the IFO agreement specifies "...teaching load shall not exceed fourteen (14) undergraduate credit hours per academic quarter nor 36 undergraduate credit hours per academic year." Under the agreement, no minimum workload is established. It establishes the maximum credit load to determine eligibility for overload compensation.

The IFO contract states that faculty are to devote a substantial amount of their workload to courses, class preparation, and student contact. These factors are considered when arriving at the 36 credit workload for the academic year. We observed that many faculty also take on non-instructional responsibilities to earn supplemental compensation. Honorariums, grants, overload and correspondence courses are intended to compensate faculty for additional effort beyond the normal duty day salary. Once the full-time teaching workload of Article 10 is met, the overload pay provisions of Article 12 apply. Faculty are eligible for extra compensation for the additional credit load taught. IFO Article 12, Section C applies "...where the regularly scheduled and assigned classroom teaching workload...exceeds fourteen (14) credit hours per academic quarter or thirty-six (36) credit hours per academic year". Faculty members can also be appointed to extended duty days beyond 168 days, consistent with the needs of each university, and receive pro rata salary adjustments. Extended duty days usually compensate department chairs and directors for coordinating academic programs and curriculum during summers and quarter breaks.

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Faculty are also paid for release time which reduces their classroom teaching responsibilities. Faculty are released to perform department chair or program director responsibilities, union activities, research, retraining, and other university causes. Release time can be the result of course scheduling changes or cancellations. Our tests revealed that some faculty release time is not being recorded accurately on SUPS. We found that some release time was recorded as instructional assignments on SUPS. In addition, we found that some universities did not properly control or document release time.

5. Universities do not control and record all faculty release time.

Universities excuse faculty from class room teaching to perform certain duties during release time. Examples include coordinating departmental and union activities, developing university programs, performing research, and enhancing techniques. Faculty are fully compensated for release time that also benefits the university. However, release time is not always recorded on SUPS. SUPS shows many faculty with instructional assignments when, in fact, these faculty have been released from teaching. This distorts personnel costs devoted to instructional and release time purposes. Also, universities do not document and control release time responsibilities. We noted a number of cases where the reasons for release time were not readily apparent. When release time assignments are not documented, management approval is not recorded, faculty accountability to meet specific requirements or duties is lacking and potential benefits to the university are not identified.

Universities did not record a significant amount of faculty release time on SUPS accurately. Release time for department chairs, program directors, and union representatives is generally recorded properly. However, release time for research, program and curriculum development, faculty retraining, and course schedule changes or cancellations is not being updated on SUPS. Many departments with course schedule changes reassign affected faculty to develop programs or curriculum. Our tests of 1992-1993 SUPS instructional assignments of faculty identified several faculty that were actually on release time but were identified on SUPS as carrying an instructional assignment. Table 3-1 identifies release time granted for faculty research, program and curriculum development, and faculty retraining, but was not on SUPS as release time.

Table 3-1
Unrecorded Faculty Release Time

| <u>University</u> | <u>Faculty Research</u> | <u>Develop Programs</u> | <u>Retrain Faculty</u> |
|-------------------|-----------------------------|-----------------------------|----------------------------|
| Mankato | 7 | 16 | 1 |
| St. Cloud | 16 | 15 | 1 |
| Winona | 2 | 14 | 0 |
| Metropolitan | 1 | 7 | 0 |

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Under this present situation, university administration cannot rely on SUPS to provide accurate information regarding release time costs. Additionally, instructional costs recorded on SUPS are overstated. For university management to effectively control and evaluate spending on instructional and non instructional costs, SUPS must present all release time assignments.

In addition to our SUPS testing, we noted that faculty research duties and responsibilities are not documented and controlled. Table 3-2 shows research costs for the past two fiscal years as recorded on SUPS:

| Table 3-2 | | | | |
|-------------------------------------|------------------|-----|------------------|-----|
| SUPS Reported Research Costs | | | | |
| <u>University</u> | <u>1992-1993</u> | | <u>1991-1992</u> | |
| Mankato | \$605,431 | 77% | \$368,336 | 88% |
| Metropolitan | 0 | 0% | 0 | 0% |
| St. Cloud | 59,634 | 8% | 3,838 | 1% |
| Winona | 0 | 0% | 0 | 0% |
| Other Universities | <u>115,514</u> | 15% | <u>45,104</u> | 11% |
| Total | <u>\$780,579</u> | | <u>\$417,278</u> | |

Mankato State University clearly records the majority of research compensation. However, when we inquired of department administration as to the nature of the release time, they had difficulty reconstructing the nature of the research for which release time was granted. The university's benefit from research projects is not always clear and is not documented. University administration should hold faculty accountable by documenting and approving research responsibilities. Upon completion, an evaluation of the research assignment should occur for consideration and approval of future release time research projects.

Without a written record of research release time, universities weaken any potential ownership interest in patents or discoveries made by faculty released for research. The 1992-1993 IFO agreement added Article 27, Section C, Subdivision 4 regarding patents and ownership of intellectual property. This provision allows faculty full ownership of patentable discoveries or intellectual property, except where the faculty was granted a reduced workload, or release time, to develop the research project. If the university has provided substantial support, an equitable ratio of ownership, and possible monetary recovery, should result. Without a written record of release time responsibilities, equitable ownership of research products could be disputed.

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Recommendations

- *University administration should accurately record faculty release time on SUPS.*
- *Faculty release time responsibilities and university benefits should be documented, approved, and evaluated by university management.*

6. The SUPS reported credit load does not represent actual credits taught by faculty.

The teaching credit load reported on SUPS is usually higher than the actual credits taught by faculty. As a result, SUPS is inaccurate and the higher credit load distorts actual instructional costs incurred at each university. It is actual credits taught that determine whether or not a faculty is eligible for overload compensation. Since SUPS shows a higher teaching credit load than what actually exists, it doesn't reflect a true eligibility threshold for overload pay situations. For SUPS to effectively control faculty payroll costs, the instructional credit load must agree with the actual credit hours taught.

Each university uses a separate student registration system (SRS) to monitor university courses offered and to schedule faculty teaching assignments. These systems contain a comprehensive list of credits actually taught by the faculty. Sometimes, however, the SUPS credit load information is not in agreement with the student registration system. We reviewed each universities' student registration system for the 1992-1993 school year. Table 3-1 below highlights the number of faculty shown on SUPS having a higher teaching credit load than is recorded on the student registration system.

Table 3-3
Teaching Credit Load Recorded
SUPS Compared to Student Registration System (SRS)

| <u>University</u> | <u>Number of Faculty</u> | |
|-------------------|--|---|
| | <u>1992-93</u> <u>Estimated</u> <u>Faculty</u> | <u>SUPS Exceeds</u> <u>SRS Credit Load</u> |
| Mankato | 811 | 20 |
| St. Cloud | 816 | 26 |
| Winona | 408 | 23 |
| Metropolitan | 177 | 13 |

Through our tests and inquiries of the academic deans and department heads at each university, we identified the following underlying causes for the differences between the two systems:

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- Faculty staffing or scheduling changes are not consistently updated on the registration system to support each faculty's true teaching load; and
- Course cancellations and changes are not always updated on SUPS to reflect a faculty's reduced workload.

Failure to record credit load changes on either system causes release time to be inappropriately recorded on SUPS as an instructional assignment. Since tenured faculty receive full salary regardless of actual teaching load, academic deans have little or no incentive to update SUPS. We found that St. Cloud State University and Metropolitan State University maintained more accurate student registration systems.

Additional responsibilities such as labs, internships, and independent studies that impact faculty workload is considered when evaluating instructional assignments. We encountered a large number of faculty on SUPS that were assigned credits as a result of these other instructional responsibilities. Academic deans provided the following explanations for the differences in SUPS credit loads compared to actual credits taught:

- Large class sections increased the student contact demands on the faculty, but carried no extra teaching credit load.
- Science and art faculty supervised multiple lab or studio sessions that were not assigned credits hours.
- Faculty were supervising students on independent study and internships that did not have distinct SUPS assignment codes.

The academic deans told us that they determined a credit equivalent for these situations, but did not establish an assignment code to adjust the instructional assignments shown on SUPS. The universities and the Chancellor's Office should establish assignment codes for the above situations and record them on SUPS.

Recommendations

- *The universities should ensure that the SUPS instructional credit load agrees with actual credit hours taught, including any changes for course scheduling or cancellations.*
- *The universities should work with the Chancellor's Office to establish assignment codes for large class sections and non classroom instructional duties such as lab, studio, and internships.*

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7. The universities paid some overload compensation to faculty who had not taught the required credit hours or were on release time.

Faculty are eligible for overload pay when additional credits are taught beyond the normal faculty credit load. However, we observed universities paying overload to faculty whose actual credit load was below the normal credit load. Also, several faculty at each university received overload compensation while on some form of approved release time. Universities should restrict paying overload to faculty unless the eligible credit loads, specified in the IFO contract, have been met.

Our tests of overload compensation paid to faculty for the 1992-1993 academic year identified faculty with credit loads below 14 credits per quarter or 36 credits per year and faculty who were on release time and receiving overload compensation. Table 3-4 identifies total overload costs and those faculty who either teach a credit load below 14 credits per quarter or 36 credits per year, or were on release time while receiving overload compensation.

| Table 3-4 | | | | |
|---|---|---------------------------|---------------------------------------|---|
| Faculty Receiving Overload in Noncompliance With IFO Agreement | | | | |
| <u>University</u> | <u>Faculty Receiving Overload</u> | <u>Overload Costs</u> | <u>Faculty Below 14/36 cr</u> | <u>Faculty with Overload Earned while on Release Time</u> |
| Mankato | 208 | \$ 821,724 | 31 | 44 |
| St. Cloud | 166 | 358,640 | 9 | 10 |
| Winona | 82 | 271,344 | 1 | 6 |
| Metropolitan | 27 | 121,478 | 1 | 13 |
| Other Universities | | <u>808,356</u> | | |
| Total | | <u>\$2,381,542</u> | | |

We found 42 cases where faculty received overload pay but had not satisfied the normal faculty credit load requirement. Universities did not strictly apply overload criteria as specified in the IFO agreement. Overload pay provisions of Article 12, Section C apply "...where the regularly scheduled and assigned classroom teaching workload...exceeds fourteen (14) credit hours per academic quarter or thirty-six (36) credit hours per academic year". We found several instances, primarily at Mankato State University, where overload compensation was inappropriately provided when the actual assigned teaching workload did not exceed these credits. Department deans usually argued however, that their faculty had a full workload despite being below the eligible level measured in credits.

To effectively control overload costs, universities must assure that the regular teaching load is first fulfilled. The IFO agreement, while defining regular workload up to 14 credits per quarter or 36 credits per year, is quite clear when overload applies. We noted only a few instances

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where a university had appropriately switched an overload course to replace release time and be part of the regular load of 14 credits. These cases occurred because a regular assigned course was canceled after an overload course was already recorded.

We also noticed a need for improved coordination of faculty workload between university academic departments and extended campus or continuing education offices. Many faculty at Mankato State University were compensated overload for fall quarter extended campus or continuing education courses despite not teaching 14 credits that quarter. Winter and spring quarter courses taught by these faculty did not accumulate to the required 36 credits for the academic year. University administration should not process overload pay early in the academic year until assured 36 credits are fulfilled.

We observed that several faculty receiving overload compensation had been approved for some form of release time. It contradicts intentions to release faculty from teaching responsibilities and then, in turn, provide them overload courses to teach. As explained in the prior finding, release time responsibilities are not effectively documented and controlled. It appears quite possible that faculty are able to supplement their salary without additional effort, due to the availability and non documentary nature of release time duties. Before approving overload to faculty on release time, university administration should re-evaluate the level, need, and benefits of the faculty member's release time responsibilities.

Recommendations

- *University administration should only pay overload compensation when the classroom teaching workload of a faculty member exceeds 14 credits for the quarter, or 36 credits for the academic year, as specified in the IFO agreement.*

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Chapter 4 - Other Compensated Incentives

Chapter Conclusions

In some cases, the Minnesota State University System provided generous compensation to university faculty and administrators upon separation or reassignment. We noted three faculty who retained compensation for paid sabbatical leaves, yet did not return to teach at a university as specified by the IFO contract. Winona State University paid early separation incentives at full salary to all retiring faculty, despite age. In addition, two former university presidents continue to be compensated as distinguished service professors while performing limited duties.

Sabbatical Leave

The IFO bargaining unit agreement, Article 17, Section F provides faculty with paid sabbatical leave "to enhance their contribution to the university". Each university has a committee to select and approve sabbatical leaves. Faculty compensation for sabbatical leaves range from 67 percent to 90 percent of base salary. Faculty are supposed to prepare a final report to evaluate and document sabbatical accomplishments. Finally, the IFO bargaining unit agreement, Article 17, Section F, Subdivision 3 indicates, "In the event that the faculty member fails...to return to the university for one year of services after the conclusion of the sabbatical, the faculty member shall refund to the university such funds awarded during the sabbatical period."

8. Upon completion of sabbatical leave, some faculty failed to return for a year of service and were not required to repay the sabbatical compensation.

Two faculty from Mankato State University and three from Winona State University did not return for one year of service upon completion of their sabbatical leaves. Mankato State University is attempting to recover sabbatical salaries paid to these faculty. However, Winona State University waived the requirement for these faculty to return for one year of service and has not sought repayment of the sabbatical salary as stated in the IFO agreement.

The administration of Winona State University has not complied with the sabbatical requirements specified by the IFO agreement, Article 17, Section F, Subd. 3. Three faculty did not return for one year after completion of their paid sabbatical leave. The faculty indicated their intent to retire prior to, or during, the sabbatical period, yet the university continued to pay their sabbatical salaries totaling \$87,884, and required no refunds from them. The university has also provided group insurance and sick leave benefits to these faculty while on paid sabbatical leave. Upon completion of the sabbaticals, the university paid additional early separation incentives to these faculty.

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Recommendations

- *Mankato State University should continue efforts to recover sabbatical salaries from faculty that have not returned.*
- *Winona State University should enforce Article 17, Section F, Subd. 3 of the IFO agreement requiring refund of sabbatical salaries from faculty that do not return for one year after conclusion of sabbatical leave. The university should work with the State University System and State Attorney General's Office to recover sabbatical salaries from the three faculty.*

Early Separation Incentives

Universities offer separation compensation as incentive for faculty to resign or retire early. The IFO agreement, Article 16, Section D provides this incentive to faculty that served at least 15 years and are at least 55 years of age. Faculty receive full base salary upon separation reduced by ten percent for each year beyond age 55. Those that announce early retirement receive an additional one step salary increase in the final year of employment. Faculty also continue to earn paid health insurance benefits for one year after separation.

Separation incentives intend to promote faculty turnover and produce salary savings to the university. Faculty with higher salaries, nearing retirement age, are given this paid incentive to separate, allowing the university to hire new faculty at lower salary levels. The incentive is structured to have more appeal to faculty closer to age 55. As they approach retirement age of sixty-five, the incentive is reduced ten percent each year. The incentive diminishes due to the likelihood that the faculty will retire soon, without the need for additional financial incentives.

The IFO contract creates flexibility for university presidents to provide separation incentives at full salary, without reduction, for designated departments or programs. This provision allows universities to target key departments or programs for maximum salary savings.

9. Winona State University will spend an additional \$886,560 by providing unreduced early separation incentives to all its university department faculty.

Winona State University has designated all its departments as eligible for early separation incentives at full base salary without reduction. This decision cost the university an additional \$886,560. Also, it was inconsistent with how other universities offered the incentive.

Although the IFO bargaining unit agreement allows universities to designate departments to be eligible for the incentive, the decision to designate all departments was costly. Winona State University is the only university within the State University System to make this designation.

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Since it began in academic year 1990-1991, thirty faculty have taken advantage of this incentive. Twenty of the thirty faculty were over 60 years of age, which should have reduced the incentive benefits paid by 50 percent or greater. Three other faculty were beyond retirement age of 65, yet the university compensated them with full separation incentives. We calculated the following costs since 1991 for Winona State University:

Winona State University 1991-1993 Costs of Unreduced Separation Incentives

| | Number of Faculty | Unreduced Incentive Paid or to be Paid | Reduced Incentive Calculated | Additional Cost to University |
|--------------------|-------------------------|---|------------------------------------|-------------------------------------|
| 55 to 60 years old | 7 | \$ 374,086 | \$291,104 | \$ 82,982 |
| 60 to 65 years old | 20 | 1,013,966 | 361,165 | 652,801 |
| over 65 year old | 3 | <u>150,777</u> | <u>0</u> | <u>150,777</u> |
| Total | | <u>\$1,538,829</u> | <u>\$652,269</u> | <u>\$886,560</u> |

Clearly, if faculty are aware that they can receive full separation incentives later, as they approach retirement, there is little or no incentive to retire early.

By designation of all departments eligible for the unreduced incentive, Winona State University is inconsistent with other universities in the State University System. All other campuses reduce separation incentives for their faculty. Faculty retiring near age sixty-five from other universities receive little or no separation incentive, while Winona State University faculty receive their full annual salary incentive payment, irregardless of their retirement age. We are unaware of any unique circumstances that justify the Winona State University decision.

Recommendation

- The Chancellor's Office should review the cost benefit of Winona State University's decision to provide unreduced separation incentives for all department faculty, with regard to the individual university, and to the State University System as a whole.*

Distinguished Service Professor Program

The Minnesota State University System Personnel Plan for Excluded Administrators and Professionals provides compensation and appointments for distinguished service professors. The Chancellor has appointed two former university presidents, who had resigned, to distinguished professorships. The State University Board has approved the Chancellor's appointments. These salaries are paid by the university from which the former presidents resigned. One president teaches at another university within the system and the other is on full year sabbatical leave.

State University System

The State University System has established distinguished service professorships to "continue to profit from their accumulated experience and insights". Eligible individuals, however, can take full year sabbatical leave to prepare for duties as a distinguished professor. Both prior presidents received 100 percent of their presidential salary while on one-year sabbatical leaves. Upon completing the sabbatical, one former president taught one class of ten students at another state university and was paid 80 percent salary. These salaries are a significant cost to the original university where they had served as president, and must be funded from their appropriation allocations:

| <u>Mankato State University</u> | <u>FY 92 Salary</u> | <u>FY 93 Salary</u> |
|---------------------------------------|---------------------|---------------------|
| President Salary | \$ 59,768 | |
| Distinguished Professor: | | |
| Sabbatical (100%) | 42,190 | \$ 60,731 |
| Teaching (80%) | | 34,295 |
| Total | <u>\$101,958</u> | <u>\$ 95,026</u> |
| <u>St. Cloud State University</u> | | |
| President Salary | \$101,033 | |
| Distinguished Professor: | | |
| Sabbatical (100%) | | \$102,668 |
| Total | <u>\$101,033</u> | <u>\$102,668</u> |

Chancellor's Office staff indicate that the Distinguished Service Professor Program is a "back-up" administrative appointment. It provides a sense of employment and salary security, similar to faculty tenure, for university presidents. The Chancellor's Office claims that this "back-up" appointment is needed to attract presidential candidates and compete with other higher education institutions.

THE MINNESOTA STATE UNIVERSITIES

BEMIDJI • MANKATO • METROPOLITAN • MOORHEAD • ST. CLOUD
SOUTHWEST • WINONA • AKITA CAMPUS, JAPAN

February 17, 1994

Mr. James Nobles
Office of the Legislative Auditor
Centennial Office Building
St. Paul, MN 55155

Dear Mr. Nobles:

Thank you for the opportunity to respond to the audit report dated February 8, 1994. The system is committed to maintaining effective internal controls, and your audit provides a valuable review of current policies and procedures. Also, we appreciate the good work of the audit team.

Following is our response to the individual recommendations.

1. Assignment codes are inconsistently used between universities.

We agree with the recommendation. A user group meets regularly to discuss personnel and assignment code issues. They have begun the process of clarifying definitions for the assignment types, and scheduling training to help ensure implementation of the changes.

2. University payroll/personnel offices do not distribute SUPS assignment reports to university academic departments for review.

We agree with the recommendation. Mankato, Metropolitan, and Moorhead State Universities currently distribute the reports to academic departments. The other universities have indicated that they will begin forwarding SUPS reports to academic vice presidents and deans for their review.

3. SUPS system access controls require improvement.

We agree with this recommendation. The specific instances that you cited at Metropolitan State and Winona State have been corrected. SUPS security will be enhanced when it is modified to meet the needs of the Higher Education Board, as part of the merger with the Community College and Technical College systems.

4. Universities do not retain SUPS to PPS error reports and one campus does not produce the report timely.

We do not agree that universities need to retain SUPS to PPS error reports. If the university does not correct the error, it will appear on next report. Also, the report is not necessary to justify the change to an employee pay rate. The employee contract provides the justification for pay rate that is in SUPS.

5. Universities do not control and record all faculty release time.

We agree with this recommendation. The system will develop an internal policy for recording all release time. Secondly, there is a long-term plan to better integrate the student record course file and SUPS. This will provide a more accurate method for detecting unrecorded release time.

6. The SUPS reported credit load does not represent actual credits taught by faculty.

We agree that our records should show both credit load and actual credits taught. However, we believe that SUPS should show the credit load used to calculate the faculty members salary. The IFO contract identifies instances where this load may differ from actual credits taught. Our plan is to record actual credits taught in the student record system.

7. The universities paid some overload compensation to faculty who had not taught the required credit hours or were on release time.

We agree with this recommendation. The IFO contract contains language that campuses have interpreted differently. The Chancellor's Office will establish a System policy that clarifies the use of overload compensation, which is consistent with the negotiated agreement.

8. Upon completion of sabbatical leave, some faculty failed to return for a year of service and were not required to repay the sabbatical compensation.

We agree with this recommendation, and will work with the Attorney General to recover the sabbatical salaries.

9. Winona State University will spend an additional \$886,560 by providing unreduced early separation incentives to all its university department faculty.

We believe that the calculation of \$886,560 is misleading, and creates impressions that are not supported by the facts. It is a hypothetical number based on the assumption that all faculty retire at age 65. This is incorrect. With recent changes in federal law regarding mandatory retirement, faculty are tending to work past this

age. Currently, 48 of the system's faculty employees are over 65, including 12 that are over age 70.

Our analysis shows that between fiscal year 1994 and fiscal year 1993, Winona State University actually reduced the number of faculty by 32.5 FTE positions. Actual spending for faculty was cut by \$941,264 even though student enrollment remained essentially unchanged. These are real dollar savings, and staff reductions.

We do agree with the overall recommendation, with respect to the administration of the early retirement provision of the negotiated agreement. Universities should not designate every department as eligible for early retirement. I will, in communications with the presidents, stress that early retirement incentives be used as a mechanism to facilitate down sizing departments when the staffing levels are no longer supported by enrollment.

Sincerely,

A handwritten signature in cursive script, reading "Terrence J. MacTaggart".

Terrence J. MacTaggart
Chancellor