

Lansing Community College

**Agreed-Upon Procedures Report
For
Payroll Procedures Phase I and II**

November 12, 2003



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Independent Accountant's Report
Applying Agreed-upon Procedures

Ms. Paula Cunningham, President
Lansing Community College

We have performed the procedures listed in Attachment A. Those procedures, which were agreed to by Ms. Paula Cunningham, were applied solely to assist management and the finance committee in fulfilling its oversight responsibilities relating to Lansing Community College's internal control and financial reporting process. Lansing Community College's management is responsible for the University's internal control and financial reporting process. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures listed in Attachment A for the purpose for which this report has been requested or for any other purpose.

The results of our procedures and any corresponding recommendations are also listed in Attachment A and B. We have discussed the results of the procedures and recommendations with the management of Lansing Community College.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the controls and procedures documented in Attachment A. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of Lansing Community College and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

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PAYROLL – PHASE I

The following agreed-upon procedures were performed:

Procedures

1. Obtain and document an understanding of the payroll process.
2. Trace transactions through the payroll process to determine that procedures are being performed in accordance with documentation (as documented in the above step), for four employees selected from the payment registers as follows:
 - a full time faculty member
 - a part time faculty member,
 - a full time staff or administrative position, and
 - a part time staff or administrative position
 - a. Obtain and review timesheet for PT AEO (Project, Task, Award, Expense, Organization) and agree to personnel file.
 - b. Determine that timesheet was submitted timely (by noon on Monday for the previous week's time).
 - c. Determine that all required information is completed on the time sheet.
 - d. Obtain supervisor review report and agree information to time sheet.
 - e. Obtain all related time sheet adjustments for support and proper approval (Note – 3 timesheet adjustments to be tested).
 - f. Obtain the related error report generated by the business office upon global approval of timesheets. Determine whether the timesheet adjustment(s) selected above are appropriately included on the report.
 - g. Recalculate total employee hours per time sheet, if applicable.
 - h. If applicable, review the Discover reports of all part time employees who have worked more than 60 hours and full time employees who have worked more than 80 hours for proper inclusion of sample selected.
 - i. Agree salary or hourly rate to the personnel file.
 - j. Recalculate gross pay.

PAYROLL – PHASE I (Continued)

Procedures (continued)

- k. Agree employee deductions (element entries) to authorization in payroll file.
 - l. If part-time, examine evidence of approval of assignment (hiring new part-time employee) by HR. Document evidence of employee information (i.e. employee is valid) (Note – 1 new part-time employee to be tested).
 - m. Review report showing faculty pay and agree to sample (if applicable).
 - n. Review & recalculate escrow balances if employee is on 26 pays.
 - o. Trace employee's gross pay to general ledger expense account(s).
 - p. Trace total net pay to cash account to ensure proper relief of cash.
 - q. Agree gross pay, net pay & hours worked to online payroll stub.
 - r. For faculty members selected, agree the following information from the faculty system to payroll/personnel file:
 - Course title, time, contact hours
 - Non-teaching assignments (release time) approvals
 - Salary
 - Approval by department chair
 - Approval of overloads in accordance with College policy
3. Obtain a copy of the report indicating pay rate changes for one time period between July 1, 2003 and August 31, 2003, and review three changes for appropriate authorization.
4. Obtain a listing of all HR pay rate overrides occurring between July 1, 2003 and August 31, 2003 and review three adjustments for appropriate authorization.
5. Observe the Discovery system run the "OTL timecards", validating payroll information submitted, for compliance with College procedure, as documented in Step 1 above.

PAYROLL – PHASE I (Continued)

Results

We performed the above procedures, noting the following:

- A complete understanding of the payroll process is documented in outline form in Attachment B.
- Personnel files are maintained electronically.
- Timesheets were submitted timely and accurately, however, date and time of submission was not available.
- Timesheet agreed to report created for Supervisor's review.
- Timesheet adjustments were proper and completed by authorized personnel.
- Reviewed error report generated for validation by the Business Office. One item requiring adjustment was corrected in the payroll system by the Business Office.
- Recalculated employee total hours per timesheet and traced to the Employee Statement of Earnings report in Oracle.
- Reviewed the Discover report for the part-time employee who worked over 60 hours during the pay period.
- Traced salary and hourly rates per the Statement of Earnings Report to the employee's profile maintained electronically within Oracle.
- Obtained salary reduction agreements and authorizations for certain employee deductions.
- Examined evidence of approval of assignment of a new part-time employee.
- Recalculated escrow balances using the Statement of Earnings Report.
- Traced employee's gross and net pay to the general ledger noting proper relief of cash. One of the four employees tested was not posted to the general ledger on a timely basis (paid 9/19/03, not yet posted as of 10/16/03 - date work was completed for Phase I - but it was posted by 11/12/03 - date work was completed for Phase II).
- Unable to access online payroll stub due to certain controls in place. Agreed an example payroll stub to Statement of Earnings Report for propriety.

PAYROLL – PHASE I (Continued)

Results (continued)

- Agreed course title, time and contact hours from the Faculty System to Oracle.
- Release time was not used by faculty in the pay period tested.
- Salary information is not tracked in the Faculty System unless a rate override occurs. One rate override was noted and agreed to payroll information.
- No faculty overloads were noted.
- Unable to obtain a hard copy of the pay rate overrides report from the Human Resource Department for review. The Department used an online copy of the report and it was not retained.
- Unable to obtain a report showing pay rate adjustments for one pay period between July 1, 2003 and August 31, 2003 to review for appropriate authorization. The Department used an online copy of the report and it was not retained.

Recommendations

We recommend the following:

1. The system be setup to indicate the date and time of timesheet submission. The system could be set up so that an automatic email reminder message can then be sent to those employees that do not submit a timesheet and are required to.
2. Timely general ledger posting of payroll.
3. Human Resource Department should maintain a report (either online or in hard copy form) of pay rate overrides to be reviewed for proper authorization on a monthly basis.
4. Human Resource Department should maintain a report (either online or in hard copy form) of pay rate adjustments to be reviewed for proper authorization on a quarterly basis.
5. The Payroll system leaves a trail of changes made as a result of the validation process. We further recommend reviewing this trail to determine what types of errors occur most frequently.
6. Not allowing timesheet submission without all areas completed.
7. Mandatory system training sessions for all employees.

PAYROLL – PHASE I (Continued)

Recommendations (continued)

8. Reviewing previous timesheet adjustments to determine what types of errors occur most frequently and modify training sessions to help alleviate these errors.
9. A check be added to the system that only allows the appropriate supervisor to make payroll adjustments for an employee.
10. As a cost saving mechanism, employees only enter time in quarter hour increments to help offset the need for the rounding function within the Oracle system.

Management's Response

Response is coordinated to the recommendation number indicated in parentheses at the end of each response:

1. ISCD in conjunction with Payroll is developing a Oracle Workflow that will provide the following notifications:

Any time card not submitted by 12:00 noon on Friday will immediately trigger an Oracle Workflow message to the individual and his/her supervisor. This will also include time cards held in a working status. This workflow is scheduled to be implemented by the February 6th, 2004 pay period.

Timesheets will only be available two days after the pay period end date. LCC pay periods end on Saturday, so timesheets will only be available until Monday. After that period, individuals who have not submitted their time will need to contact their supervisors to do a Time Sheet Adjustment. This addresses timesheets that in the past were submitted after the deadline. *(Recommendation #1)*

2. Labor distribution has been worked on extensively in the month of December and to this point payrolls all the way through the calendar have been loaded to the General Ledger. The procedures are now setup to run Labor Distribution a week after the respective payroll run. *(Recommendation #2)*
3. HR has been getting a report identifying pay rate overrides and pay rate adjustments. A procedure will be put in place to maintain the reports within the HR office to serve as an audit trail for HR approval *(Recommendations #3 and #4)*.

PAYROLL – PHASE I (Continued)

Management's Response (continued)

4. LCC has a group of Time Sheet adjusters who have been recording time sheet errors on a template. This document is updated every pay period and will be used to tailor training to the areas that need further training. LCC is also working with Oracle Development to validate all fields of the timesheet by assignment. This is a critical enhancement that is projected to be completed before July, 2004 (*Recommendations #5, #6 and #8*).
5. We strongly agree that this is a necessary part of ensuring initial accurate time recording. We will be proposing this to our Human Resources Department to get feedback on how to deploy this training. (*Recommendation #7*)
6. In the short term, ISCD will construct a report to place the supervisor of record in the timesheet adjustment report. The timesheet adjustment form will add a box indicating if necessary that payroll contacted the supervisor of record when the TSA form is submitted by an individual other than the employees' supervisor. In the long term, LCC is working with new Oracle Payroll software to allow editing of timecards by the supervisor within the workflow notification process. (*Recommendation #9*)
7. ISCD is investigating the ability to force individuals to only be allowed to submit on a quarter hour basis. This is currently our procedure and has been built into the training materials. (*Recommendation #10*)

CONVERSION – PHASE II

The following agreed-upon procedures were performed:

Procedures

1. Perform the following steps for 100 employees:
 - 50 faculty members
 - 20 support staff
 - 20 administrators
 - 10 students

2. Trace the following items from the old system, Banner, to the new system, Oracle:
 - Salary (faculty members, administrators)
 - Hourly rates (support staff and students)
 - Social Security numbers
 - Deductions

3. Obtain supporting documentation for certain deductions not converted to the new system.

4. Obtain supporting documentation for deductions noted in Oracle not converted from Banner.

Results

We performed the above procedures noting the following;

- Traced year-to-date gross wages from Banner to Oracle for 98 of the 100 employees selected.
- Unable to trace year-to-date wages from Banner to Oracle for two student employees selected for testing.
- Traced employee's annual salary or hourly rate from Banner to Oracle.
- Traced employee's social security number from Banner to Oracle.
- Traced employee's deductions listed in Banner to those listed in Oracle for 98 of the 100 employees selected.
- For 98 of the 100 employees tested, selected one deduction from listing in Banner and traced year-to-date amount withheld in Oracle.
- Unable to trace MAHE Dues and the year-to-date withholdings in Banner to Oracle for two faculty members selected for testing.

CONVERSION – PHASE II (Continued)

Recommendations

1. We recommend properly converting each student's year-to-date gross wages from Banner to Oracle prior to the end of the calendar year.
2. We recommend properly converting each faculty members MAHE Dues and reconciling for verification of proper conversion.

Management's Response

Management's Response coordinates to the recommendation number indicated in the above section:

1. This validation and conversion process was completed by December, 2003.
2. This validation and conversion process was completed by December, 2003.

PAY RATES - PHASE II

The following agreed-upon procedures were performed:

Procedure

1. Select one pay period between July 1, 2003 - October 31, 2003 for each employee tested above and perform the following:
 - Document the employee's salary or hourly rate for the selected pay period by reviewing the employee's Statement of Earnings obtained from Oracle.
 - If a compensation adjustment has been made since conversion, verify that proper approval and authorization have been obtained.
 - Agree the adjusted pay rate to the employee's personnel file maintained electronically within Oracle.

2. Recalculate each employee's net pay

Results

We performed the above procedures noting the following:

- Documented each employee's annual salary or hourly rate for the selected pay period by reviewing the Statement of Earnings obtained in Oracle.
- 24 of the employees tested had no compensation adjustments since conversion because the pay period selected was prior to the effective date of pay raises.
- Two of the employees tested had no compensation adjustment since conversion because they are not eligible for a salary increase.
- 74 of the employees tested had compensation adjustments since conversion. An annual mass pay rate adjustment was uploaded into Oracle after proper verification and approval by the Human Resource Department.
- Adjusted pay rates agreed to employee's personnel file maintained electronically within Oracle.

Recommendations

We have no recommendations at this time.

GLOBAL ANALYTICAL - PHASE II

The following agreed-upon procedures were performed:

Procedures

1. Obtain October 4, 2002 and October 3, 2003 payroll reports with all employees' total gross wages.
2. Compare reports for general consistency taking into consideration certain factors:
 - Wage increases
 - Number of employees by class (administrators, faculty, support staff and students)
 - Part time versus full time

Results

We performed the above procedures with the results summarized below and noted the following:

Employee Group	October 4, 2002		October 3, 2003	
	Number of Employees	Gross Pay	Number of Employees	Gross Pay
Administrative	211	\$ 446,755.00	198	\$ 434,331.41
Full Time Faculty	239	623,935.00	225	540,854.00
Part Time Faculty	1,084	611,736.00	1,055	583,065.00
Support	444	443,470.00	436	442,676.99
Student	256	68,022.00	329	83,175.06
Totals	2,234	\$ 2,193,918.00	2,243	\$ 2,084,102.46

- Number of administrators, support staff, and faculty (FT and PT) decreased from 2002 to 2003.
- Administrators, support staff, and faculty gross wages decreased from 2002 to 2003.

GLOBAL ANALYTICAL - PHASE II

Results

- Considering number of administrators, support staff, and faculty (FT and PT), and their annual wage increase, the overall decrease in number of employees appears proportionate (within 3%) to the overall decrease in gross wages.
- Number of student employees increased from 2002 to 2003.
- Student wages increased from 2002 to 2003.
- Considering number of student employees and their annual wage increase, the overall increase in number of employees appears proportionate (within 3%) to the overall increase in gross wages.

Recommendations

We have no recommendations at this time.

End of Attachment A

PAYROLL PROCESS

Set Up of Employee and Assignment Information in Oracle

- Employees are classified as follows: Full Time Faculty, Full Time Administrative, Full Time Staff, Part Time Faculty, Part Time Administrative, Part Time Staff, Students
- Assignments are set up by the Human Resource Department ("HR") for all full time employees
- Part time employees (including students) are input by the department they work in and are reviewed by HR
- Payroll department sets up the pay rates including deductions and retirement plan information
- HR sets up benefit enrollments (health insurance, paid time off, garnishments, tuition benefits, life insurance, workers comp, etc)
- Assignment (online personnel file) includes the following information pertaining to each employee:
 - Organization (i.e. department)
 - Job
 - Position
 - Supervisor
 - Element Entries (deductions – such as medical, dental)
 - Earnings records (summaries of past pay information)
 - The job information includes data on split assignments
 - When looking at assignments in the system an effective date must be entered – this allows viewing of current, past & future assignments of employees
 - Whether 22 or 26 pays are elected
- The faculty system tracks the faculty's course load and assignments
 - Includes information by course (course title, time, contact hours, etc).
 - Includes information on non-teaching assignments (course development, etc) – this is also called release time – it is only recorded in this system if the faculty member is paid for that time.
 - Includes pay information
 - The related department inputs the assignments
 - Adjuncts information is also included here
 - The Faculty System interfaces with Oracle – but was not created by Oracle
 - Includes "audit history" – history of individuals who approved the faculty's assignments – final approval is by department chair
 - Can track overloads (only OK for fall/winter semester) – also a faculty member can have 1-2 less hours in the fall and 1-2 hours more in the winter (OK per contract – but must be tracked)

PAYROLL PROCESS (Continued)

Timecards for Full-Time and Part-Time Staff and Administrators

- Everyone is paid biweekly – there is a week lag between pay period covered and pay date
- Time sheets are required (i.e. no time card, no pay) to be prepared for:
 - i. All part time and hourly employees
- Time sheets are not required (but are requested) for:
 - i. Salaried employees (full-time administrative & full time and part time faculty)
 - ii. Faculty are not required to complete time sheets (although they are requested to)
 - iii. Library and counselors are under the faculty contract and therefore, cannot be forced to complete time sheets (legally)
- Time sheets are to be submitted weekly – by Monday at noon for the week ended the immediately proceeding Friday
- Can submit timesheets without completing all required areas
- Timesheets include PTAE0:
 - i. Project (assigned number for the project)
 - ii. Task (example project management)
 - iii. Award (i.e. general funds or federal funds)
 - iv. Expense (Hours type – i.e. salaried)
 - v. Organization – automatic based on assignment record
- Time is input in any increment – but is rounded on time sheet to the quarter hour

Approval of Time Sheets

- Is automatic – supervisors do not have to do anything for time sheets to be approved
- Supervisors receive a report summarizing which of their employees have submitted a time sheet and the information reported on those time sheets.
- Supervisors review this information – if changes need to be made a “timesheet adjustment” is completed
- All supervisors have access to timesheet adjustments – the system does not check that the supervisor is making a change to one of its employees (i.e. a supervisor can technically adjust any employees’ timesheet data).
- Timesheet adjustments are saved on the system and are maintained (i.e. audit trail)
- Currently there are 300 – 400 adjustments being made per time period – this is due primarily to lack of matches between project/task/award information. Corrective action is taken after every time period to reduce adjustments in the future.
- The Discover system runs “OTL timecards” – which validates the information submitted prior to downloading to the Oracle payroll system. This program compares the project tasks and awards submitted to ensure that they are a match.

PAYROLL PROCESS (Continued)

Approval of Time Sheets (continued)

- Additionally – Discover generates a report of all part time employees who have worked more than 60 hours in a two week period. This report is reviewed by the business office who contacts the departments with part time employees that are working full time hours.
- Discover also generates a report of full time employees working more than 80 hours. This report is not utilized because there are no ramifications to full time employees working over time (other than un-budgeted overtime pay – which is monitored by supervisors).
- The business office globally validates all time sheets – a report of errors is generated (those timesheets with task/project/awards that do not match). This report of errors is corrected at the business office level. The Business Office will follow-up with supervisors of employees who consistently submit wrong timesheets. Supervisors will then work with the employee to correct the problem.
- Currently, the system does not leave a trail of changes made as a result of the validation process (other than the time sheet adjustment forms)
- Department chairs can override pay rates for various reasons depending on the situation. The overrides must be verified and approved by the HR department. HR gets a report of all pay rate overrides.

Faculty Time Reporting

- Automatically generated from the faculty system based on workload
- If 26 pays is elected (beginning 7/1/03) – cash is disbursed as if the employees were being paid in 22 periods. The excess funds are placed into an escrow account. Then during pay periods 23 – 26, the escrow funds are paid to the employees.
- If faculty work above their assigned work load, faculty submit a time sheet and are paid accordingly (data is submitted from both the faculty system and the time sheet system).

Downloading Information to Oracle Payroll

- Once timesheet information is validated, it is downloaded to Oracle.
- The faculty system downloads into Oracle.
- Then the element entries are populated for payment (i.e. pay and withholdings for each employee is calculated).

PAYROLL PROCESS (Continued)

Payroll Processing

- Payroll runs Eight processes:
 - i. Quick Pay - manual checks are cut if necessary
 - ii. Prepayments are created when necessary
 - iii. Creation of payslips
 - iv. A Gross Check Greater Than \$5,000 Report is run - only one individual should appear on this report
 - v. NACHA - direct deposit
 - vi. Check Writer - pay checks are generated
 - vii. Payment Register Report is run
 - viii. Deduction Report is run

- Paper payroll stubs are not generated.
- Employees have access to pay stub information on line (secured http site).
- Direct deposit stubs are given to employees (the stubs do not contain all the information that is available online to the employees).