

## Assurance Report

### 1608 Southern University Baton Rouge (SUBR)

February 9, 2017

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The LASERS Audit Committee

### EXECUTIVE SUMMARY

During the review of SUBR, the following observations were noted and detailed below:

1. Four enrollment reporting errors identified.
2. Incorrect amount of unused leave certified for one retiree.
3. Two rehired retiree reporting errors identified.
4. Agency reporting process errors identified.

### BACKGROUND

This was a planned engagement on the fiscal year end 2016 Audit Plan. The fieldwork for this engagement was completed on January 25, 2017. SUBR employs approximately 376 LASERS members.

### SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of this engagement includes a review of records for SUBR employees.

The primary objectives of this engagement were to determine if SUBR:

- Accurately reports payroll, earnings and contributions information to LASERS.
- Accurately and timely enrolls eligible individuals into LASERS.
- Performs retirement and post retirement processing in an accurate and timely manner.

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Procedures used to complete this engagement included:

- Interviewing LASERS and SUBR staff.
- Reviewing relevant personnel and payroll records.
- Reviewing records from the State of Louisiana Retirement Information System (SOLARIS).
- Analyzing LASERS member records using Audit Command Language (ACL).
- Conducting other inquiries considered necessary to achieve engagement objectives.

This engagement was conducted in accordance with the policies and procedures of the Audit Services Division.

## **OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES**

### **1. FOUR ENROLLMENT REPORTING ERRORS IDENTIFIED**

#### **OBSERVATION**

According to LA R.S. 11:417(A), any person who is a member of LASERS who has creditable membership service of at least five years in this system, and who becomes employed in other state or public employment where he is no longer eligible for membership in this system, but is eligible for membership in the Louisiana School Employees' Retirement System, the Louisiana State Police Retirement System, the TRSL, or the Municipal Police Employees' Retirement System shall have the right to remain a member of this system in lieu of membership in the other state or statewide retirement system by filing a notice of election to remain in this system, in writing, with the board of trustees within thirty days after the effective date of employment.

During this review, it was observed that there were enrollment reporting errors for four individuals in regards to LA R.S. 11:417(A). The three individuals had at least five years of service credit in LASERS upon employment in Teachers' Retirement System of Louisiana (TRSL) eligible positions, but their notice of election forms were not filed with LASERS properly. It should be noted that these individuals properly continued contributing to LASERS. The remaining individual had less than five years in TRSL upon transfer into a LASERS eligible position, but continued their enrollment in TRSL incorrectly. This individual should have been enrolled in LASERS at the time of the transfer since they did not have the adequate amount of service credit to retain membership in TRSL.

#### **RECOMMENDATION #1**

The agency should submit administrative error letters for all four individuals and work with LASERS to ensure the necessary information is received to properly resolve the individuals cited in this observation. Target completion date is June 30, 2017.

#### **AGENCY RESPONSE**

The agency agrees with the recommendation. The administrative error letters have been submitted to LASERS for these four individuals and we are working with LASERS to provide any additional information requested.

## **RECOMMENDATION #2**

The agency should review their enrollment procedures currently in place and make any necessary changes to properly handle situations where a notice of election to remain in a retirement system exists. Target completion date is June 30, 2017.

### **AGENCY RESPONSE**

The agency agrees with the recommendation. The following changes have been made to address these situations:

- The Electronic Personnel Action Form is required to be submitted to Human Resources within 30 days of a position change.
- When an employee changes position that results in a classification change, they are required to report to Human Resources and undergo additional orientation and complete the notice of election forms, as applicable.

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## **2. INCORRECT AMOUNT OF UNUSED LEAVE CERTIFIED FOR ONE RETIREE**

### **OBSERVATION**

An incorrect amount of unused leave was certified for one retiree which caused an error in the payment issued to the member upon retirement. The unused leave amount was understated by approximately 200 hours. According to the agency, leave balances are certified after the final payroll has been processed and termination pay has been reduced from the leave balance. However, there are situations where their computer system zeroes the remaining balance. As a result, the agency certified the incorrect amount for this individual.

It should be noted that during this review the agency has provided the corrected leave form to LASERS for this retiree.

### **RECOMMENDATION #1 (ITEM CLOSED)**

The agency should work with LASERS staff, as necessary, to properly resolve the retiree cited in this observation. Target completion date is March 31, 2017.

### **AGENCY RESPONSE**

The agency agrees with the recommendation. A corrected Certification of Annual and Sick Leave form has been submitted to LASERS for this individual.

## **RECOMMENDATION #2**

The agency should review their procedures and process currently in place and make any necessary updates to ensure the unused leave balances are certified to LASERS in an accurate and timely manner. Target completion date is June 30, 2017.

### **AGENCY RESPONSE**

The agency agrees with the recommendation. When an employee retires, Human Resources will place the amount of annual and/or sick leave hours paid for terminal pay on the PEALAV screen. This action will ensure that the correct leave is certified to LASERS. Furthermore, Human Resources will certify unused leave balances to LASERS within 30 days after the retiree has terminated employment.

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### **3. TWO REHIRED RETIREE REPORTING ERRORS IDENTIFIED**

#### **OBSERVATION**

According to LA R.S. 11:416 (B), the retiree and the appointing authority of the employer agency covered by the system shall immediately notify the system of the retiree's date of employment, the option selected for reemployment purposes, the amount of his starting salary, any subsequent changes in salary, the estimated duration of employment, and the date of termination of employment. This notification and information is obtained via LASERS Re-employment of Retiree Forms.

During this review, it was observed that there were two rehired retiree reporting errors identified. One retiree was rehired in a LASERS eligible position and was not reported to LASERS. The other retiree was rehired into a position that was not eligible for LASERS, but was reported to LASERS. It should be noted that during this review the agency has begun taking the necessary steps to correct the records in error and has resolved the one retiree who was ineligible to be reported to LASERS.

#### **RECOMMENDATION #1**

The agency should provide LASERS the necessary remaining information to properly correct the record for the remaining retiree noted in this observation. Target completion date is June 30, 2017.

#### **AGENCY RESPONSE**

The agency agrees with the recommendation. Administrative error letters have been submitted to LASERS for these two individuals and we are working with LASERS to provide any additional information requested.

#### **RECOMMENDATION #2**

The agency should review their rehired retiree procedures and process currently in place and make any necessary changes to ensure all eligible rehired retirees are properly reported to LASERS in a timely manner. Target completion date is June 30, 2017.

#### **AGENCY RESPONSE**

The agency agrees with the recommendation. Human Resources has informed Departments that hire employees on Special Hire appointments that they will have to report to Human Resources within 30 days of hire and, where applicable, complete the Retiree Return to Work form before mailing to LASERS. Furthermore, all LASERS retirees that return to work at Southern University will be processed through BANNER and not manually on Special Hire Packets.

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### **4. AGENCY REPORTING PROCESS ERRORS IDENTIFIED**

#### **OBSERVATION**

The following items related to agency contribution reporting errors:

- a. There were eight individuals where the monthly base pay was reported to LASERS incorrectly for select months. According to information provided by the agency, there are two situations where these errors occurred:
  - i. Base pay not properly reported in the summer months for nine and ten month employees. Two of the eight individuals identified were affected by this reporting process error. According to LASERS Liaison Memo 16-28, base pay should be reported

as one twelfth of the annual full-time salary of that position for primary employment. In situations where a member is employed by more than one agency, the secondary employer should report the base pay as equal to the earnings for that part-time position. For those nine and ten month employees that work in the summer, that summer position is considered as secondary employment for the same agency; therefore, base pay should be reported as noted in the memo.

- ii. Base pay not properly reported for individuals paid from multiple sources for one position. The remaining six individuals identified were affected by this reporting process error. Regardless of the source of the funds used for payment, base pay should be calculated as if payment is being funded from one source.

According to the agency, these reporting errors occurred because currently Banner, payroll system for the agency, calculates the base pay as one twelfth for those paid summer pay and also uses one source to calculate base pay for those individuals paid from multiple sources. A review process was created by the agency to address this limitation by identifying these situations and then manually calculating base pay. The agency also noted that they will work with their Information System Division (ISD) to properly calculate base pay in the situations noted above.

- b. There were three individuals where ineligible earnings were reported to LASERS in error. According to information provided by the agency, there are two situations where these errors occurred:
  - i. Overtime was reported to LASERS for two individuals. According to LASERS Liaison Memo 13-13, overtime pay (exceptions exist for certain commissioned law enforcement officers and legislative staff) is not eligible to be reported to LASERS.
  - ii. Earnings classified as Family and Medical Leave Act (FMLA)-Leave without pay (LWOP) were reported to LASERS for one individual. LWOP type earnings are not eligible for LASERS because since they are not considered earned compensation. It should be noted that this individual has refunded from LASERS; therefore, no further corrective action is required for their record. However, the agency plans to provide a listing of all LASERS members associated with FMLA-LWOP to confirm that this is an isolated incident.
- c. The agency reported the incorrect employer contributions on the July 2015 monthly contribution file for individuals paid on a biweekly basis. This error caused numerous edits to generate in SOLARIS which created additional work for LASERS staff and rework for the agency. For the years when an employer contribution rate change is required, it becomes effective the first payment received on or after July 1st; however, this is not how employer contributions were determined by the agency for July 2015. It should be noted that the agency properly reported employer contributions to LASERS on the July 2016 monthly contribution file. The agency noted that they will update their process to ensure that employer contributions are correctly calculated when there is an employer contribution rate change.
- d. The pay period start and pay dates were not correctly reported to LASERS on a consistent basis in 2016 for individuals paid on a biweekly basis. During this review, it was determined that the pay period start date was in error on the February 2016 monthly contribution file. Also, pay dates were incorrectly reported on the monthly contribution files for March, April, May, June, August, and October 2016. The agency noted that they will work their ISD staff to ensure the monthly contribution file contains the correct pay period and pay dates for both biweekly and monthly paid employees.

- e. The values in the work period field on the monthly contribution file submitted by the agency contained errors. According to the monthly contribution file layout, the work period should represent the type of monthly employee and include a value of either 9, 10, or 12. However, Audit Services reviewed a sample of files submitted in 2016 and it was determined that other values besides 9, 10, or 12 were provided in each file reviewed in the sample. The agency noted that they will work with their ISD staff to ensure the proper work periods are provided to LASERS on the monthly contribution file.
- f. LWOP dates were not consistently reported to LASERS. LWOP dates can be reported to LASERS in two primary ways, Employer Self-Service (ESS) or on the monthly contribution file. The agency noted they use the ESS method to report LWOP, but due to the manual nature of this process, this information was not provided to LASERS on a consistent basis. Therefore, the agency noted that they will work with their ISD staff to update the monthly contribution file process to provide LWOP information.

Incorrect reporting of base pay, earnings, contributions, pay period dates, pay dates, work period, and leave without pay can cause errors in producing retirement estimates for members and can also impact the proper calculation of service credit and/or final average compensation.

### **RECOMMENDATION #1**

The agency should work with LASERS staff and provide LASERS the necessary remaining information to properly correct the records for the individuals noted in this observation. Target completion date is June 30, 2017.

### **AGENCY RESPONSE**

The agency agrees with the recommendation. The response to each of the items noted above is as follows:

- Item a(i) and a(ii): The base pay for the individuals affected have been corrected.
- Item b(i): The credit has not been taken for these two employees, but will be adjusted on the May 2017 agency contribution report.
- Item b(ii): No record correction is necessary for this individual since they have refunded from LASERS.
- Item c: The necessary record corrections have been made.
- Item d: We are not able to make changes to these dates for reports already submitted to LASERS, but it is our understanding that LASERS is in the process of correcting the pay period start and end dates for the individuals and periods affected as noted above.
- Item e: We are not able to make changes to the work period for reports already submitted to LASERS, but it is our understanding that LASERS has made any necessary corrections.
- Item f: We have begun reporting LWOP information via the monthly agency contribution file. In addition, it is our understanding that LASERS has made any necessary record corrections.

### **RECOMMENDATION #2**

The agency should review their agency reporting procedures and process currently in place and make the necessary changes to ensure base pay, earnings, contributions, pay period start dates, payment dates, work periods, and LWOP information are reported to LASERS accurately and timely. Target completion date is September 30, 2017.

## **AGENCY RESPONSE**

The agency agrees with the recommendation. The response to each of the items noted above is as follows:

- Item a(i): Corrective action has been taken in Banner to ensure this type of base pay reporting error will not occur in the future. Payroll will monitor other employees with pay factors less than 12 months since this will continue to cause a problem in reporting.
- Item a(ii): IT is in the process of making updates to Banner to ensure the base pay for individuals paid from multiple sources is properly reported to LASERS. This is scheduled to be completed by June 2017. In the interim, corrective action is being taken to ensure the calculated base pay for those individuals paid from multiple sources are corrected and reported in the same manner as employees paid from one source.
- Item b(i) and b(ii): HR is in the process of working with IT to make the necessary corrections to Banner to prevent these types of errors in the future.
- Item c: When the employer contribution rate changed in prior years, the change did not become effective beginning with the first payment received on or after July 1<sup>st</sup>. However, changes have been made to Banner to ensure that this is the method used going forward. This method will be used starting with the July 1, 2017 reporting.
- Item d: Corrective action has been taken in Banner to ensure this type of reporting error will not occur in the future.
- Item e: IT is in the process of making updates to ensure that the work period is populated with the correct values on the monthly agency contribution report.
- Item f: We have begun reporting LWOP information via the monthly agency contribution file.

## **FOLLOW-UP**

A follow-up to this engagement will not be scheduled at this time. Audit Services will maintain this information on a tracking report. These items will be tracked until they are closed.



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