Minutes

Legislative Audit Commission
AUDIT SUBCOMMITTEE

February 24, 2026

Members Present:
Senator Calvin K. Bahr

Members Absent:
Senator Mark W. Koran
Senator Tou Xiong
Representative Emma Greenman
Representative Rick Hansen
Representative Steven Jacob

Other LAC Members Present:
Senator Ann H. Rest
Representative Fue Lee

Senator Calvin K. Bahr, Chair, called the Legislative Audit Commission Audit Subcommittee meeting to order at 8:31 a.m. in room G15 State Capitol. The meeting's purpose was to hear from the Office of the Legislative Auditor (OLA) the key findings and recommendations of two performance audits: (1) *Minnesota State: Faculty Payroll* and (2) *Department of Natural Resources: Outdoor Heritage Fund Grants.*

Senator Bahr introduced Lori Leysen, Deputy Legislative Auditor of OLA's Financial Audit Division, and Kayla Borneman, Audit Director, to present details of the *Minnesota State: Faculty Payroll* audit. Ms. Leysen said that payroll processes at Minnesota State are complex, involving centralized and decentralized processes, multiple computer systems, and numerous employment agreements. She said OLA identified concerns with the timeliness and accuracy of faculty pay and introduced Ms. Borneman to present further.

Ms. Borneman said the audit period was from July 2022 through December 2024. She explained that Minnesota State is comprised of 7 four-year universities and 26 two-year colleges across 54 campuses and employs more than 14,200 faculty and staff. Ms. Borneman said OLA's audit found that Minnesota State incorrectly paid some faculty members, in part due to incorrect faculty assignment information in the payroll system, and did not always compensate faculty on a timely basis, in part due to late approval of instructional assignments. She said that Minnesota State uses its legacy Integrated Statewide Record System; its new HR and payroll system, Workday, Inc; and the state's HR and payroll system, SEMA4; to process payroll. Workday is not able to calculate faculty payroll, and, as a result, Minnesota State continues to use its legacy system to calculate faculty payroll. Sample testing identified inaccurate payments ranging from $10 to nearly $16,300 in both over and underpayments, and about 42 percent of faculty not paid timely for at least one instructional assignment. However, she said that the systems were not the cause of most of the errors.

Senator Bahr asked for discussion from members. Senator Rest questioned why there are still issues getting payroll to flow seamlessly in state systems.

Senator Bahr then asked Minnesota State representatives Barb Biljan, Senior System Director for Human Resources Operations, and Eric Davis, Vice Chancellor for Human Resources, to provide their response. Mr. Davis said OLA did a remarkable job of learning about the various terms and conditions of the collective bargaining agreements and payroll processes. He said pay discrepancies identified in the audit were corrected and explained further how some of the larger over and underpayments happened. He said Minnesota State is communicating early and often about timely approvals of faculty workload management across campuses. Also, Minnesota State has hired a consultant to do a review of processes at one campus to ensure processes are efficient and the right controls are in place to determine that pay at the beginning of a semester is accurate. Members asked about the transition to the new Workday system. Mr. Davis explained that Minnesota State had been live on Workday since July 1, 2025, but some legacy functions are still in operation, and that the configuration of the other pieces will take until 2028 or 2029.

Senator Bahr next asked Ryan Baker, OLA Audit Director, to present details of the *Department of Natural Resources: Outdoor Heritage Fund Grants* audit. Mr. Baker said that since the projects these types of grants are used for take multiple years to complete, the audit focused on grants awarded in Fiscal Year 2020 that were completed by January 31, 2025. He said the Outdoor Heritage Fund is one of four legacy funds, the others being Arts and Cultural Heritage, Clean Water, and Parks and Trails. Over the last five years, the Outdoor Heritage Fund has received approximately $100 to $130 million. He then described the roles the Lessard Sam's Outdoor Heritage Council takes in recommending projects to the Legislature to fund and the Department of Natural Resources (DNR) takes in administration and oversight of the funding. He said DNR generally complied with the criteria OLA tested but that DNR did not always obtain adequate documentation supporting the costs in grantee reimbursement requests and did not always conduct and document required monitoring activities.

Senator Bahr asked for discussion. Senator Rest said she did not understand why executive branch agencies cannot seem to manage all of the duties they have regarding internal controls and that it was discouraging to keep seeing similar themes as repeated findings. Senator Bahr agreed and then asked DNR representatives Bob Meier, Assistant Commissioner, and Mary Robison, Chief Financial Officer, to provide their response to the audit.

Mr. Meier said that DNR is in an improvement process of documenting grant monitoring activities, which includes retaining their sampling methodologies and resulting samples when the sampling approach is used. Ms. Robison said DNR is also strengthening its training and support, and updating their closeout evaluations, which will include payment checklists and direction on what constitutes adequate documentation of grant costs, as well as a checklist for grantees on maintaining adequate cost documentation. She explained further that DNR has many grants open because they are multi-year grants and, in those cases, DNR does a sampling methodology. Katherine Sherman-Hoehn came to the table to list the organizations that had the largest number of DNR grants, adding that if a grant is in its last year and has not been previously sampled, it will automatically get sampled at that point to ensure no grant project receives a final payment without at least one review.

Seeing no further questions, Senator Bahr adjourned the meeting at 9:31 a.m.

Senator Calvin K. Bahr, Chair
Audit Subcommittee

Maureen Garrahy, Recording Secretary