



STATE OF WISCONSIN

Legislative Audit Bureau

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Joe Chrisman  
State Auditor

DATE: January 17, 2013

TO: Senator Robert Cowles and  
Representative Samantha Kerkman, Co-chairpersons  
Joint Legislative Audit Committee

FROM: Joe Chrisman  
State Auditor 

SUBJECT: Proposed Audit of the University of Wisconsin System's Oversight  
and Management of Payroll and Benefit Processing and the  
Human Resource System—Background Information

At your request, we have gathered some background information the Joint Legislative Audit Committee may find useful in considering an audit of the University of Wisconsin System's oversight and management of payroll and benefit processing and the Human Resource System (HRS), which is UW System's new payroll and personnel system. Payroll-related expense is the most significant expense of UW System and totaled more than \$2.8 billion, which was nearly 65.0 percent of UW System's total expenses in fiscal year (FY) 2011-12.

We recently completed a financial audit of the State of Wisconsin for FY 2011-12 and issued an unqualified opinion on the State's financial statements, which include the financial statements of the UW System. However, we identified a material weakness related to HRS security that increases the risk of inadvertent, erroneous, or unauthorized payments or changes to the system. In addition, due to a lack of oversight and monitoring of fringe benefit processes after the implementation of HRS, UW System overpaid health insurance premiums by an estimated \$15.4 million and Wisconsin Retirement System (WRS) contributions by \$17.5 million. Although the Department of Employee Trust Funds credited UW System for the \$17.5 million in overpayments to WRS, provisions in the contracts between the State and health insurance providers appear to limit UW System's ability to recover the entire amount it overpaid for health insurance premiums.

The purpose of the financial audit was to provide an opinion on the financial statements prepared by the Department of Administration and UW System. However, the concerns we identified raise questions about the extent to which other problems exist with payroll and benefit processing and HRS, the extent to which efforts to address these problems will increase costs, and whether the problems in implementing HRS have actually resulted in inadvertent, erroneous, or unauthorized payments or system changes. Determining the latter would require our full access to HRS and all information stored in its data warehouse.

An audit of UW System's oversight and management of payroll and benefit processing and HRS by the Legislative Audit Bureau could include an independent, external review of:

- the oversight responsibilities of UW System Administration, UW Service Center, UW-Madison's Division of Information Technology, and other UW System institutions related to payroll and benefit processing and HRS;
- procedures and controls for managing payroll and benefit processing and HRS beyond the scope of our financial audit;
- HRS integrity, including analyzing all data sources we deem appropriate to identify possible occurrences of inadvertent, erroneous, or unauthorized payments or system changes;
- HRS costs, including a comparison of the initial budget and actual expenditures in an effort to identify reasons for any variance;
- UW System's plans to address identified problems and improve oversight, including changes in policies, procedures, and software.

I hope you find this information helpful. If you have any additional questions regarding this request, please contact me.

JC/PS/bm

cc: Senator Mary Lazich  
Senator Alberta Darling  
Senator Kathleen Vinehout  
Senator John Lehman

Representative Howard Marklein  
Representative John Nygren  
Representative Jon Richards  
Representative Melissa Sargent

Kevin Reilly, President  
University of Wisconsin System