

March 12, 2014

University of Wisconsin System

Report 14-3

Fiscal Year 2012-13 Financial Audit

Report 14-4

Oversight of the Human Resource System
and Payroll and Benefits Processing



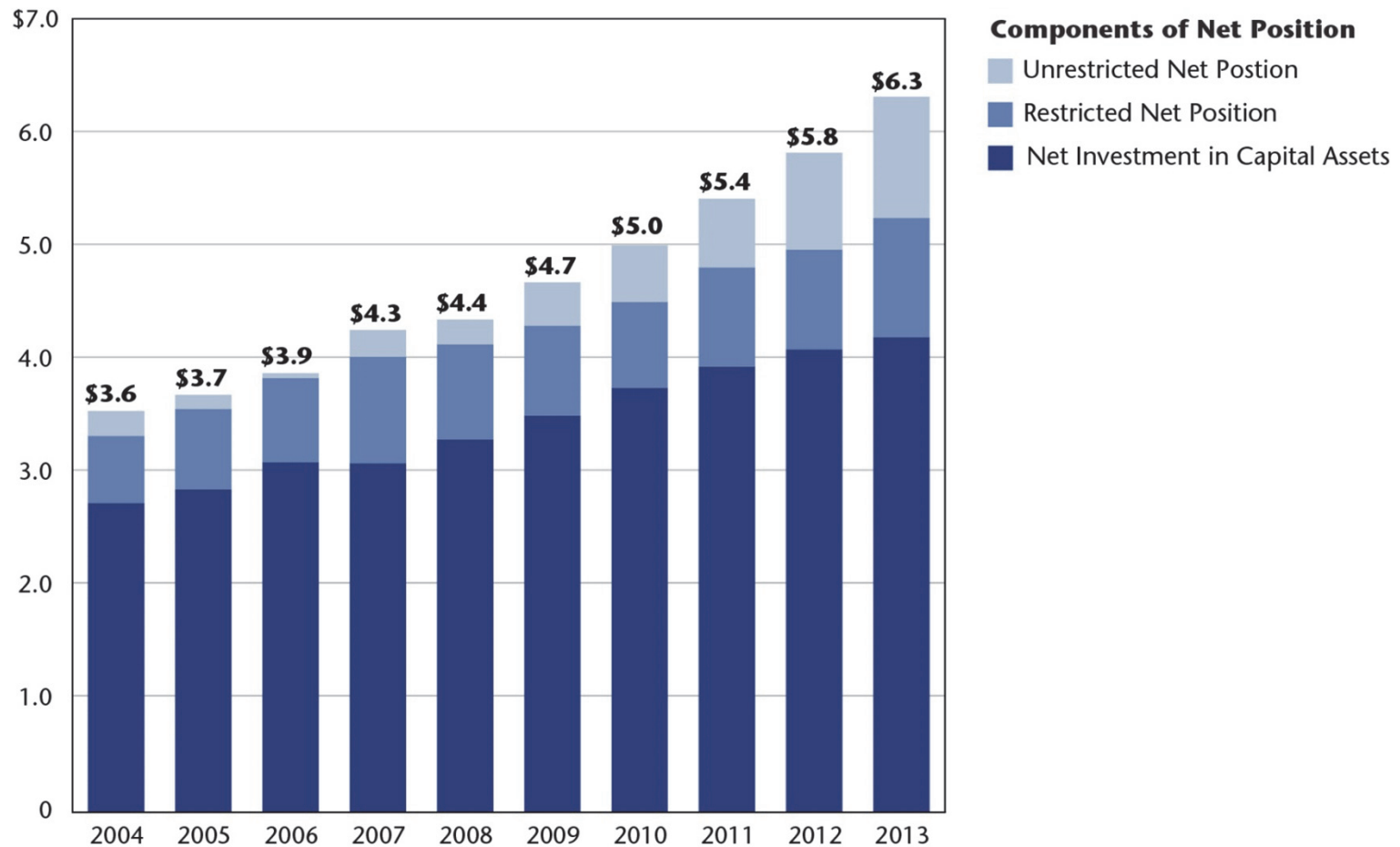


FY 2012-13 Revenue and Expenses

- UW System revenue totaled over \$5.0 billion.
- Student Tuition and Fees were UW System's largest revenue and totaled nearly \$1.2 billion.
- UW System expenses totaled nearly \$4.6 billion.
- Salary and Fringe Benefits were UW System's largest expense and totaled nearly \$2.9 billion.



Net Position of UW System As of June 30 (in billions)¹



¹On the basis of generally accepted accounting principles (GAAP).



HRS Budget and Expenses

- The Board of Regents approved a budget for planning and implementation of \$81.4 million.
- UW System spent \$78.6 million for planning and implementation through June 2012.
- We identified concerns that reduced efficiency and increased the cost of HRS beyond the \$78.6 million UW System spent for planning and implementation.



HRS Implementation Issues

- We question whether UW System was adequately prepared to implement HRS in April 2011.
- Workarounds increased the workload of UW Service Center staff.
- Documentation indicated training objectives may not be achieved prior to implementation.
- \$972,600 in overtime costs are likely attributable to implementation.



HRS Implementation Issues

- UW System made 192 modifications to the software it purchased.
- One modification needed to comply with federal law resulted in \$1.2 million in payroll taxes not being withheld for certain student employees from June 2011 through September 2011.
- Some UW institutions had not implemented components of HRS and some do not have plans to do so.



Benefits Reconciliation

- We estimate that billing errors made for state group health insurance from April 2011 through May 2013 will total between \$10.6 million and \$12.7 million.
- In September 2012, ETF credited UW System for \$17.5 million in Wisconsin Retirement System overpayments it made for 2011.
- We found the amount of errors made by UW System has declined substantially in recent months.



Addressing Implementation Issues

- UW System identified 20 “stabilization projects” on which it spent \$3.0 million in FY 2012-13 and plans to spend an additional \$2.8 million in FY 2013-14.
- UW Service Center developed the “HRS Roadmap” in March 2013 that proposes improvements related to policy, process, staffing/training, and HRS software.



Security Issues

FY 2010-11 and FY 2011-12

- We first reported concerns with access to HRS during our FY 2010-11 financial audit.
- During our FY 2011-12 financial audit, we reported continuing concerns with access to HRS, as well as new concerns regarding access to make program code change and configuration changes to HRS.
- We reported a material weakness in internal control over HRS for FY 2011-12.



Security Issues

FY 2012-13

- UW System began its security role review and made some improvements.
- We continued to identify concerns with incompatible access.
- We again report a material weakness in internal controls over HRS.



Recommendations

- Complete efforts to identify problems created by the software modifications that were made; perform adequate testing in the future; and determine whether removing some modifications could prevent future problems and limit future costs.
- Report to the Joint Legislative Audit Committee by July 1, 2014, on ten issues related to problems with HRS implementation and on the status of HRS security concerns.



Similar Projects in Other Agencies

- At an estimated cost of \$138.7 million, DOA plans to implement the State Transforming Agency Resources (STAR) project to integrate the State's budgeting, accounting, cash management, procurement, human resources, and payroll systems.
- At an estimated cost of \$39.2 million, ETF plans to implement a new IT system to administer several public employee benefit programs.

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