

University of Wisconsin System

Human Resources System (HRS) Post Implementation Risk Assessment September 2013

Agenda

Background

Scope and Approach

Summary Recommendations

Summary Observations

Background

We have completed certain internal audit procedures related to the Human Resources System at the University of Wisconsin System. Our Services were performed and this report was developed in accordance with our engagement contract dated April 22, 2013 and is subject to the terms and conditions included therein. Our work was performed through interview, inspection of selected documentation and limited testing.

Our Services were performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants. Accordingly, we are providing no opinion, attestation or other form of assurance with respect to our work and we did not verify or audit any information provided to us. Our work was limited to the specific procedures and analysis described herein and was based only on the information made available through August 30, 2013. Accordingly, changes in circumstances after this date could affect the findings outlined in this report.

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This document is provided as part of an oral report.

Background – Scope and Approach

As part of UW System's ongoing efforts to manage the risks associated with the HRS implementation, PwC was engaged to perform a post-implementation risk assessment to assess risks which exist today as result of the implementation.

Scope

- HRS system implementation process
- Impacted areas from the implementation (stakeholders, business processes, application security, access, etc.)
- Risk management activities performed by UW System during and after the implementation

Approach

- Conducted approximately 20 interviews with individuals involved with HRS implementation and current human resources ("HR") processes
- Assessed selected documentation from the implementation and post-implementation activities
- Assessed HRS user access rights and security
- Developed observations and recommendations regarding risks UW faces today and gained agreement from management on those observations

Summary Recommendations

UW System still faces risks as a result of the HRS implementation. In addition to the plans management had previously defined and continue to work on to respond to these risks, we recommend further actions:

- **The governance structure over HR processes and the HRS system should be enhanced to provide the leadership, authority and accountability necessary to implement and sustain the needed changes to HR processes**
- **Management should incorporate internal control reviews as they continue to roll-out changes to HRS and the related business processes**
- **Management should ensure their continued efforts to provide training to HRS end users are sufficient and timely**
- **Management should take further actions to ensure sensitive user access to HRS is restricted**
- **The complexity of the benefit plan structures should be evaluated to assess the feasibility of simplifying the environment which HRS supports**
- **Further enhancements to internal controls in the HR processes should be made**

Observations – HR Business Process

There are governance, process, internal control and system challenges with the HR processes:

- The governance structure over HRS and the related processes should be improved.
- The number and complexity of benefit plans which are administered through HRS results in inherent risk which must be managed through strong internal controls.
- Further work is needed to strengthen the processes for providing third party administrators key eligibility and enrollment information.
- The process for entering new hires in HRS is not consistently followed which can lead to inaccurate employee information in the system.
- End-to-end reviews of benefit eligibilities should be enhanced.

Observations – System Implementation Process

The HRS system implementation process did not adhere to some leading practices which resulted in post-implementation challenges. Those areas are:

- Internal controls within HR processes should have received more focus during implementation to help ensure a more defined, reliable internal control structure was in place upon implementation.
- User training programs need to continue to receive management's focus to ensure the user base has received, and will continue to receive sufficient training.
- The implementation would have benefitted from objective reviews of internal controls over the implementation itself as well as the new the HR processes which were established.

Observations – User Access and Information Technology Controls

User access to the HRS system and the related internal controls should be improved:

- A formalized Segregation of Duties (SOD) framework has been established, but not fully implemented. Our security analysis suggests that SOD conflicts are present within the HRS environment.
- The HRS system provides end users access to sensitive system transactional functionality.
- Administrative and privileged IT access includes access to functional business areas as a normal part of system support duties.
- The process to administer user access is not formally aligned to training or credentialing programs.

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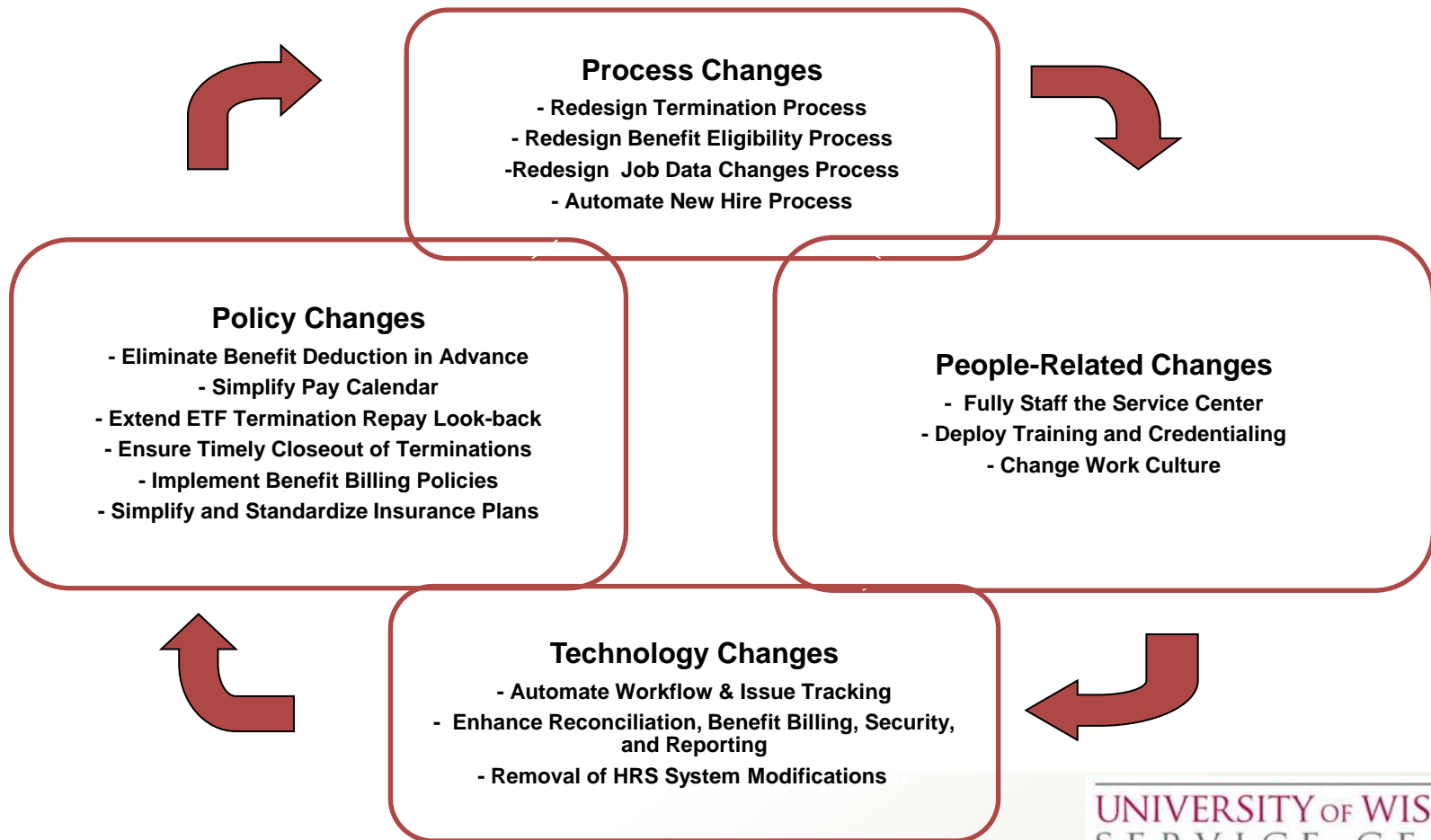
UNIVERSITY OF WISCONSIN
SERVICE CENTER

HRS Roadmap, PwC Recommendations, and Reconciliation Status

September 6, 2013

Management Agreed-Upon Action Plan

In March 2013, senior UW leadership endorsed an end-to-end “HRS Roadmap” that focuses on policies, processes, people and technology (P³T) to achieve stability and critical functionality. The Roadmap was based on an initial internal risk assessment.



PwC Recommendations & HRS Roadmap

- UW Service Center worked closely with PwC and concurs with PwC recommendations

- Alignment of HRS Roadmap with PwC Recommendations:
 1. Governance – Not currently in HRS Roadmap, discussions underway with UW leadership about next steps
 2. Internal Controls - In HRS Roadmap, but will need to add objective evaluation and continued enhancements
 - Person View (proof of concept approved), December 2012
 3. Training – In HRS Roadmap and formally funded as of July 1, 2013
 - Affinity Group Support Structure and HRS user coaching, September 2012
 - HRS User Credentialing/Training on payroll adjustments, December 2012

PwC Recommendations & HRS Roadmap

- Alignment of HRS Roadmap with PwC Recommendations (Continued):
 4. Sensitive User Access – In HRS Roadmap and project underway to address Separation of Duties/ Access Levels (March 2013)
 5. Complexity of Benefit Plans – In HRS Roadmap and assessment is underway
 - HRS System Pop-Up Messages, May 2013 (Error prevention)
 - Benefits Deductions One Month in Advance, July 2013 (Administration simplification)
 - Creating Benefits Billing Policy, July 2013
 - Reducing Number of Pay Calendars, July 2013

Reconciliation Status

- Phase 1 Completed
 - Reconciliation process defined on per plan basis
 - Additional staff hired
 - All pay and benefit-related account reconciliations completed

- Phase 2 On-going
 - All reconciliations remaining current
 - Reconciliation process being evaluated for efficiency & effectiveness and redesigned on a person or member basis

Phase One Reconciliations Current

