



STATE OF WISCONSIN
Legislative Audit Bureau

22 East Mifflin Street, Suite 500
Madison, Wisconsin 53703
(608) 266-2818
Fax (608) 267-0410

www.legis.wisconsin.gov/lab

Toll-free hotline: 1-877-FRAUD-17

Joe Chrisman
State Auditor

January 10, 2013

Mr. Michael Huebsch, Secretary
Department of Administration
101 East Wilson Street, 10th Floor
Madison, Wisconsin 53702

Mr. Stephen Censky, State Controller
Department of Administration
101 East Wilson Street, 5th Floor
Madison, Wisconsin 53702

Dear Mr. Huebsch and Mr. Censky:

We have completed a financial audit of the State of Wisconsin as of and for the fiscal year ended June 30, 2012. The financial statements and related opinion are included in the State of Wisconsin's Comprehensive Annual Financial Report, which is published by the Department of Administration.

During the course of our audit, we identified a variety of internal control concerns at various state agencies that are required to be reported under *Government Auditing Standards*. As provided for in those standards, we are furnishing you with the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. The state agencies' responses to our concerns and recommendations are summarized in the text of the report so that readers may see the State's intended resolution of the matters discussed. In future audits, we will determine the extent to which findings in the report have been resolved.

We appreciate the courtesy and cooperation extended to us by the Department of Administration and other state agencies during the audit.

Sincerely,

Joe Chrisman
State Auditor

Enclosures

JC/MR/bm



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Wisconsin as of and for the year ended June 30, 2012, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 13, 2012. The basic financial statements and related auditor's opinion have been included in the State of Wisconsin's Comprehensive Annual Financial Report for fiscal year 2011-12. Our report includes a reference to other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Wisconsin Department of Transportation Revenue Bond Program and Commercial Paper Program; the Environmental Improvement Fund; the College Savings Program Trust; the Wisconsin Housing and Economic Development Authority; the University of Wisconsin Hospitals and Clinics Authority; and the University of Wisconsin Foundation as described in our opinion on the State of Wisconsin's financial statements. The financial statements of the Wisconsin Department of Transportation Revenue Bond Program and Commercial Paper Program, the Environmental Improvement Fund, the College Savings Program Trust, the Wisconsin Housing and Economic Development Authority, and the University of Wisconsin Hospitals and Clinics Authority were audited in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. The financial statements of the University of Wisconsin Foundation were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that may have been reported on separately by those auditors.

Internal Control over Financial Reporting

Management of the State of Wisconsin is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the State's internal control as a basis for designing our auditing procedures for the purpose of expressing our opinions on the State's basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be

significant deficiencies or material weaknesses, and therefore there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the following paragraphs and described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses, and other deficiencies that we consider to be significant deficiencies.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or to detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the State's financial statements will not be prevented or will not be detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as Finding WI-12-1 and Findings WI-12-2 and WI-12-3, when combined, to be material weaknesses.

A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as Findings WI-12-4 through WI-12-7 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.


The State's written responses to findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the responses and, accordingly, express no opinion on them.

We noted certain additional matters, which we will report or have already reported to management of certain state agencies in separate communications.

This independent auditor's report is intended solely for the information and use of the management of the State of Wisconsin, the Wisconsin Legislature, federal awarding agencies, and pass-through entities. This report is a matter of public record and its distribution is not limited. However, because we do not express an opinion on the effectiveness of the State's internal control or on compliance, this report is not intended to be used by anyone other than these specified parties.

LEGISLATIVE AUDIT BUREAU

December 13, 2012

by 
Bryan Naab
Deputy State Auditor for Financial Audit

SCHEDULE OF FINDINGS AND RESPONSES

This schedule includes all material weaknesses and significant deficiencies related to internal control over financial reporting that are required to be reported by auditing standards generally accepted in the United States of America and *Government Auditing Standards*. Repeat findings from the prior year are indicated with an asterisk (*).

Finding WI-12-1: Financial Reporting Process for the Injured Patients and Families Compensation Fund*

Criteria:

The Office of the Commissioner of Insurance is responsible for maintaining effective internal controls that ensure the Injured Patients and Families Compensation Fund's financial statements included in the State's basic financial statements are fairly presented and that misstatements are prevented or detected in a timely manner.

Condition:

We have regularly identified errors in the Injured Patients and Families Compensation Fund's financial statements in past years. However, the Office of the Commissioner of Insurance has not yet established sufficient procedures and controls to ensure that financial statement errors are prevented or detected and that, ultimately, the Fund's financial statements are fairly presented.

Questioned Costs:

None

Context:

The Injured Patients and Families Compensation Fund is one of seven major funds included in the State's basic financial statements. The Fund insures health care providers in Wisconsin against medical malpractice claims that exceed primary insurance thresholds established in statutes. It has cash and investments totaling \$1.0 billion and a net fund equity of \$361.2 million as of June 30, 2012.

Effect:

Material errors in the Fund's financial statements were again identified as part of the audit process for the State's fiscal year (FY) 2011-12 basic financial statements. Because the Fund accountant did not appropriately update entries reversing the prior year's accruals for loss liabilities and the discount factor used to calculate the loss liabilities accrual for FY 2011-12, the Future Benefits and Loss Liabilities accounts on the Balance Sheet and the Benefit Expense account on the Statement of Revenues, Expenses, and Changes in Fund Equity were understated by \$79.1 million. Corresponding errors also occurred in the Statement of Cash Flows. Further, significant errors pertaining to investing activities were again identified in the Fund's Statement of Cash Flows. Fund staff subsequently corrected the financial statements for the errors identified during our audit work.

Cause:

In part, the errors in the FY 2011-12 financial statements may have occurred and not have been detected because the Fund accountant, the Fund Director, and the Division Administrator of Funds and Program Management are relatively new to their positions. However, more significantly, the Office of the Commissioner of Insurance has not devoted sufficient attention and effort to fully address concerns with the Fund's financial reporting process.

Recommendation:

We recommend that the Office of the Commissioner of Insurance reassess the Injured Patients and Families Compensation Fund's current financial reporting process and take steps to establish and document clear procedures for completing and verifying the accuracy of the Fund's financial statements. As part of these procedures, the Fund's annual financial reporting process should include:

- obtaining a full understanding of the Fund's financial activities, developing corresponding expectations for the Fund's financial accounts, comparing actual results to expectations, and following up on differences;
- reconciling and verifying key account balances to supporting or corroborating sources of information, such as reconciling investment balances and activities to information provided by the State of Wisconsin Investment Board;
- reviewing the continued accuracy of formulas and links in spreadsheets used in the preparation of the financial statements; and
- establishing checklists to document that critical steps are completed in the preparation and review of the financial statements.

Management's Response:

The Office of the Commissioner of Insurance management is committed to the sound, accurate, and effective administration of the Fund. Therefore, it recognizes the seriousness of the issues identified and intends to take the steps necessary to address them. The Office of the Commissioner of Insurance appreciates the acknowledgement that some errors in the FY 2011-12 financial statements may, in part, have occurred and not have been detected due to the relatively new accountant and the transition to new management. However, the Office of the Commissioner of Insurance also recognizes that it is the responsibility of the new management team and staff to identify and address financial reporting deficiencies and to establish and implement clear procedures to ensure that the Fund's financial statements are complete and verifiably accurate in the future. As part of its plan to improve its internal controls over financial reporting, the Office of the Commissioner of Insurance intends to implement the recommended procedures, as well as additional procedures, such as reviews by another accountant and additional consultation with the Fund's actuary to confirm the accuracy of loss liabilities.

Finding WI-12-2: Security Concerns with the University of Wisconsin System's Human Resource System*

Criteria:

The Human Resource System (HRS) is used by the University of Wisconsin (UW) System to track and maintain employee information, such as address, position, and benefit choices, and to process and record the biweekly or monthly payroll for all staff and students employed by the UW institutions, including the 13 four-year campuses, 13 two-year colleges, UW-Extension, and UW System Administration.

UW System Administration is responsible for the overall strategic direction and oversight of HRS. The UW Service Center within UW-Madison's Office of Human Resources manages the day-to-day operations of HRS. UW-Madison's Division of Information Technology (DoIT) provides many information technology services for HRS, including programming and data security functions.

The ability to perform the various functions within HRS is controlled through the use of security roles. Each security role has specific permissions attached that allow the user to perform a specific task or tasks. In order to ensure that information is properly safeguarded and to limit the risk that inadvertent, erroneous, or unauthorized changes could be made, UW System should ensure that access to HRS is limited to that necessary for individual users to complete their properly separated job duties, and that access to system accounts is also properly limited.

Condition:

We performed a limited review of access granted to HRS users at three UW institutions. In addition, we reviewed access granted to several separate system accounts.

Based upon currently available security role descriptions, we identified 22 users with incompatible access that allows the user to add an employee or student employee; enter, update, correct, and approve time worked or leave taken; update direct deposit information or generate paychecks; and process payroll or otherwise critically impact the payroll process. Further, 21 of these users have these capabilities on a system-wide level, which allows them to make changes at any of the UW institutions.

We also continued to find excessive access granted to system accounts for the majority of FY 2011-12. UW System did remove this access in April 2012, but the risks with this access were present for most of FY 2011-12.

Questioned Costs:

None

Context:

Payroll-related expense is the most significant expense of UW System, totaling more than \$2.8 billion, or nearly 65.0 percent of UW System's total expenses for FY 2011-12.

Effect:

UW System is at increased risk that inadvertent, erroneous, or unauthorized payments could be processed through HRS.

Cause:

UW System has not completed its planned security role review, and it is not aware of all permissions attached to each security role. The planned security role review is a necessary step in assessing the HRS security roles and permissions that are attached to these roles, and in determining changes that are necessary. In December 2011, and in response to our FY 2010-11 concerns over HRS security, UW System Administration reported that it had developed a plan to review overall HRS security, remove inappropriate access, and develop compensating controls when separation of duties could not be achieved. UW System indicated that this review was planned for completion in summer 2012. However, the review has been delayed by UW System.

Recommendation:

We recommend UW System Administration review the specific concerns we communicated in more detail in our October 31, 2012 interim memorandum and give priority to reviewing all HRS security roles and the permissions attached to these roles, limiting or adjusting access as necessary, and implementing compensating controls when separation of duties cannot adequately be achieved.

Management's Response:

UW System agrees with the recommendations regarding HRS security. FY 2011-12 was a period of stabilization for HRS. It is common practice during the stabilization phase of a large, complex system for users to have access not specifically needed to perform their job duties. Access evolved as UW System became more familiar with the system and new business processes, and as UW System staff responsibilities became more defined.

With this enhanced knowledge of the system and processes, the UW Service Center and DoIT will finalize and execute existing plans to closely review all available HRS security roles and permissions in order to facilitate refined privileges and separation of duties controls for HRS end users. Resources to implement the plan will be identified and work prioritized to begin early in calendar year 2013.

Finding WI-12-3: Program Change Controls over the University of Wisconsin System's Human Resource System

Criteria:

HRS is used by UW System to track and maintain employee information, such as address, position, and benefit choices, and to process and record the biweekly or monthly payroll for all staff and students employed by the UW institutions, including the 13 four-year campuses, 13 two-year colleges, UW-Extension, and UW System Administration.

UW System Administration is responsible for the overall strategic direction and oversight of HRS. The UW Service Center within UW-Madison's Office of Human Resources manages the day-to-day operations of HRS. UW-Madison's DoIT provides many information technology services for HRS, including computer programming and data security functions.

Procedures should be established to prevent users from making unauthorized changes to HRS program code or “configuration” information, such as various look-up tables used during payroll processing. The ability to perform program code or configuration changes is controlled through the use of security roles. Each security role has specific permissions attached that allow the user to perform a specific task or tasks. In order to ensure that information is properly safeguarded and to limit the risk that inadvertent, erroneous, or unauthorized changes could be made, UW System should ensure that access to security roles is limited to that necessary for employees to complete their properly separated job duties.

Condition:

We reviewed the program change process and identified concerns with access that allows users to circumvent the established program change process and could allow an inadvertent, erroneous, or unauthorized program code or configuration change. For example:

- One user, who is also responsible for approving program changes before they are moved into production, has full “update and correction” access to all functions in HRS.
- Three of the four users responsible for moving program code changes into the production environment have access that allows them to make program changes directly in the HRS production environment. Further, all four of these users have access that allows them to develop changes in the HRS development environment and move these changes into production.
- Fifty-one users have been granted access to one or more of eleven security roles that provide the users with the ability to make configuration changes directly in the HRS production environment.

Questioned Costs:

None

Context:

Payroll-related expense is the most significant expense of UW System, totaling more than \$2.8 billion, or nearly 65.0 percent of UW System’s total expenses for FY 2011-12.

Effect:

UW System is at increased risk that inadvertent, erroneous, or unauthorized changes could be made to HRS.

Cause:

UW System has not completed its planned security role review, and it is not aware of all permissions attached to each security role. The planned security role review is a necessary step in assessing the HRS security roles and permissions that are attached to these roles, and in determining changes that are necessary. In December 2011, UW System Administration reported that it had developed a plan to review overall HRS security, remove inappropriate access, and develop compensating controls when separation of duties could not be achieved. UW System indicated that this review was planned for completion in summer 2012. However, the review has been delayed by UW System.

Recommendation:

We recommend UW System Administration review the specific access concerns we communicated in more detail in our October 22, 2012 interim memorandum and adjust or remove access as appropriate. Further, we recommend UW System Administration give priority to reviewing all HRS security roles and the permissions attached to the roles, limiting or adjusting access as necessary, and implementing compensating controls when separation of duties cannot adequately be achieved.

Management's Response:

UW System agrees with the recommendations regarding the HRS program change process. To mitigate potential risks surrounding the HRS program change process, UW System has removed the full functional update and correction access for the one user. This access was necessary during HRS implementation and system stabilization. Because the need for this user to back up key support staff remains, the ongoing necessity for such access will be re-evaluated in May 2013.

The UW Service Center and DoIT are currently evaluating the impact of removing employees' ability to make program changes and move changes into production. This evaluation process includes identifying specific requirements related to job responsibilities and the change management process. Once identified, mitigating solutions will be presented to executive management at UW System Administration, the UW Service Center, and DoIT for review. All required resources will be identified and implementation work will be prioritized to begin early in calendar year 2013.

Finally, the UW Service Center and DoIT will finalize and execute existing plans to closely review all available HRS security roles and permissions in order to facilitate refined privileges and separation of duties controls for HRS end users. Resources to implement the plan will be identified and work prioritized to begin early in calendar year 2013.

Finding WI-12-4: Overpayment of State Group Health Insurance Premiums and Wisconsin Retirement System Contributions by the University of Wisconsin System

Criteria:

UW System offers its employees a number of fringe benefit choices and options, including the State Group Health Insurance Program and the Wisconsin Retirement System (WRS), which are both administered by the Department of Employee Trust Funds (ETF). UW System uses HRS, implemented in April 2011, to track employee benefit and coverage choices and to collect the employee and the employing institution's share of payments for these benefits. UW System is responsible for ensuring that the employee and employer share of payments for fringe benefit programs are appropriately collected and paid to ETF.

Condition:

For the State Group Health Insurance Program, UW System is responsible for updating the ETF health insurance database for changes in an employee's enrollment or coverage in the program, based upon changes made in HRS. We found that, after the implementation of HRS, UW System had not established adequate procedures for reconciling the health insurance premiums collected from employees and employing UW institutions with coverage information maintained in the

ETF database. As a result, we found that UW System did not identify in a timely manner that it overpaid health insurance premiums. It does not appear that any employee or employing UW institution was charged for the premium overpayments.

UW System continues to assess the causes of the overpayments, and it estimates that it overpaid health insurance premiums by \$15.4 million from May 2011 through September 2012. UW System has identified that \$8.0 million of the \$15.4 million in overpayments were for health insurance premiums paid for 924 terminated employees from May 2011 through September 2012. Through October 2012, UW System has been able to recover \$228,000 of the overpayments. However, the provisions in the contracts between the State and the health insurance providers would appear to limit UW System's ability to recover the entire amount of the overpayments.

In addition, UW System made errors when manually calculating the WRS contributions due to ETF for the months of April 2011, May 2011, and July 2011. This resulted in overpayments of \$17.5 million to the WRS for calendar year 2011 retirement contributions. ETF identified the overpayment through its annual contributions review. In September 2012, ETF credited UW System for the \$17.5 million in overpayments.

Questioned Costs:
None

Context:
Employee and employer premiums under the State Group Health Insurance Program totaled approximately \$475.0 million for UW System during FY 2011-12. Employee and employer retirement contributions for the WRS totaled approximately \$228.7 million for UW System during FY 2011-12.

Effect:
Overpayments made for State Group Health Insurance premiums and WRS contributions were not identified in a timely manner by UW System. Although UW System was able to recoup the WRS contribution overpayments, it may not be able to recoup the full amount of the overpayment of health insurance premiums. If UW System is unable to collect the health insurance overpayments from the health insurance providers, UW System will need to identify another funding source to cover these overpayments.

Cause:
Due to the implementation of HRS, UW System did not provide adequate oversight and monitoring over the fringe benefit processes resulting in overpayments for State Group Health Insurance and the WRS.

Recommendation:
We recommend the University of Wisconsin System Administration:

- continue to implement procedures to promptly reconcile HRS information with ETF's database of employees enrolled in the State Group Health Insurance Program and keep the database updated for any changes in enrollment or coverage, including the timely removal of all terminated employees;

- work with ETF to assess whether the health insurance premium overpayments can be recovered and, if not, determine an appropriate source of funding for these overpayments; and
- review procedures for all other employee benefit programs, including the WRS, to ensure proper reconciliations and other necessary procedures are in place.

Management's Response:

UW System generally agrees with the assessment and subsequent recommendations. In October 2012, the UW Service Center implemented procedures to reconcile HRS information with ETF's database of employees enrolled in the State Group Health Insurance Program. Therefore, the State Group Health reconciliation is current and as such, the overpayment issue is contained and not growing. The next steps are:

1. The UW Service Center is in the process of completing an employee-specific review of historical transactions in order to identify the total amount that UW System could recoup through ETF. This step, which will be completed by June 30, 2013, must be completed in order to make the strongest possible case for recouping the overpayments.
2. The UW Service Center has requested credits for known overpayments and will request credits for the remaining portion when validated.
3. The UW Service Center will review procedures for all other employee benefit programs to ensure proper reconciliation procedures are in place.

Finding WI-12-5: Financial Reporting Errors by the University of Wisconsin System

Criteria:

UW System's financial statements are included in UW System's separately issued financial report and are used by the Department of Administration's State Controller's Office when compiling the State of Wisconsin's financial statements. UW System Administration is responsible for maintaining effective internal controls to ensure the financial statements of UW System are fairly presented in accordance with generally accepted accounting principles. To prepare the financial statements, UW System Administration financial reporting staff accumulate transactions recorded in the accounting system and request information from each campus to make necessary adjustments to reflect the financial information in accordance with generally accepted accounting principles.

Condition:

UW System Administration financial reporting staff did not identify that an adjustment to the FY 2011-12 financial statements was necessary. In addition, steps needed to appropriately calculate the amount of two adjustments were not completed.

Questioned Costs:

None

Context:

Financial reporting for UW System is complicated by its size and decentralized nature, as well as by its complex accounting structure.

Effect:

Misstatements in UW System's financial statements were identified during the audit process. For example, we identified:

- \$59.7 million reported as "Sales and Services of Educational Activities" revenue that should have been reported as other nonoperating revenue;
- \$25.2 million reported as "Local and Private Grants and Contracts" that should have been reported as "Capital Contributions"; and
- \$23.4 million overstatement of "Other Receivables," \$21.8 million overstatement of "Local and Private Grants and Contracts," and \$1.6 million overstatement of "Federal Grants and Contracts."

We discussed these errors with UW System financial reporting staff, who made the necessary corrections to the financial statements.

Cause:

UW System Administration's Financial Reporting Unit experienced turnover in key accounting staff, which added to delays in preparing the financial statements and contributed to the errors identified.

Recommendation:

We recommend UW System Administration take steps to ensure that in future years all necessary financial statement adjustments are made and all steps needed to appropriately calculate adjustment amounts are completed.

Management's Response:

UW System agrees with the recommendation. As noted, staff turnover contributed to this issue, as the person with primary knowledge of the financial statements retired after nearly 30 years. Two of the three identified errors were reclassifications between financial statement accounts and did not affect the overall increase in net assets. Nevertheless, UW System will undertake a review of material accounting entries to ensure accuracy and efficiency in compilation. This review will be completed by August 31, 2013.

Finding WI-12-6: Department of Health Services Program Change Controls

Criteria:

The Department of Health Services should maintain proper controls over computer program changes to ensure the integrity of those programs and to reduce the risk of erroneous or unauthorized changes. In addition, the Department should not allow program change controls to be circumvented, and the Department should maintain documentation that staff followed the established program change process.

Condition:

The Department of Health Services allows the programmer who made program changes to also review and approve those changes. Therefore, the Department's existing program change controls, including properly approved requests, user involvement, and documentation, could be circumvented. In addition, although staff stated that the Department's procedures require properly approved requests, user involvement, and documentation prior to completing a program change, staff were unable to provide documentation that these steps were followed.

Questioned Costs:

None

Context:

The Department of Health Services maintains various important financial systems on the mainframe computer, including the Fiscal Management System and the Community Aids Reporting System. These and other programs require changes as objectives and conditions change over time.

Effect:

Because existing controls over the program change process may be circumvented, the Department of Health Services is at increased risk that erroneous or unauthorized changes could be made to important financial systems. In addition, due to the lack of documentation, the Department is not assured that the existing procedures were followed.

Cause:

The Department of Health Services indicated that due to current staffing levels, it can more efficiently complete program changes by allowing the same programmer who made a change to approve the change. The Department also notes that, due to staffing levels, most of the communications related to program changes have been done verbally and have not been documented.

Recommendation:

We recommend the Department of Health Services prohibit computer programmers who made program changes from reviewing and approving those changes. In addition, we recommend the Department maintain documentation that it followed its existing computer program change procedures.

Management's Response:

The Department of Health Services agrees that prohibiting computer programmers from reviewing and approving their programming changes provides the highest level of security and control. However, the Department believes it has sufficient compensating controls in place, such as monitoring payments to ensure they are only being made to authorized vendors and are not paid in excess of contracted amounts. In addition, all changes to the financial systems undergo a review by the Bureau of Fiscal Services, in test mode, before approval and before the programming changes are moved to production.

The Department of Health Services also agrees that documentation should be maintained over the program change process. In the next 12-month period, the Department plans to use SharePoint to assist in the automation of workflows, which will facilitate customer submission of work requests,

document changes to satisfy the work requests, collect test approvals from the requesting customer, and track the dates new versions of modified programs are moved to production.

Finding WI-12-7: Programmer Access to Critical Production Programs and Data at the Department of Transportation*

Criteria:

To provide proper internal control, computer programmers should not have the ability to access or update production data and programs. Further, to maintain proper accountability, individuals should access the Control-M job scheduling program using their individual log-on IDs.

Condition:

Computer programmers at the Department of Transportation have access to production programs and data. During FY 2011-12, the Department reduced the number of computer programmers with access to move programs from the test environment to production from 29 to 16. The Department also developed a procedure for an individual to perform a periodic after-the-fact review of program changes throughout each month to ensure the changes were authorized and appropriate. However, these reviews were not documented throughout the fiscal year. The Department also intends to implement a program change review procedure that will be completed by a review committee before financial program changes are moved into production.

Further, the Department continued to use shared log-on IDs to make changes related to Control-M schedules and jobs. In some instances, users logged into the Control-M job scheduling program with a shared Control-M log-on ID and password, rather than their individual log-on IDs. During FY 2011-12, the Department discontinued its practice of sharing the password and disabled the ability to log into the scheduling software directly with the Control-M log-on ID for several of its Control-M log-on IDs, including its most financially critical Control-M log-on ID. However, this ability still existed for one financially critical Control-M log-on ID.

Questioned Costs:

None

Context:

The Department of Transportation maintains accounting and other systems critical to agency operations. These systems enable the Department to collect and expend more than \$2.5 billion annually; to issue driver's licenses and vehicle titles and registrations; to track drivers' records and traffic violations; and to oversee the State's construction of roads and bridges.

Effect:

Programmers, who have extensive knowledge of the computer programs and datasets, could make unauthorized changes to the programs or data and conceal those changes, resulting in undetected erroneous or fraudulent changes. Further, because of the use of shared log-on IDs, any changes made to Control-M schedules and jobs with a shared log-on ID will not be attributable to the person who made the change, making it more difficult to hold individuals accountable for any actions taken using the shared Control-M log-on ID.

Cause:

The Department of Transportation has indicated that it can more efficiently complete program changes and job scheduling by allowing programmers access to the production environment and to Control-M. However, the Department also recognizes the risks involved with allowing this access and is currently developing and implementing compensating controls that it believes will be effective in lowering the risks in this area.

Recommendation:

We recommend the Department of Transportation continue its efforts to implement and document procedures for ensuring that changes to programs are authorized, appropriately tested, and comply with industry standards. Further, we recommend the Department of Transportation continue its efforts to improve controls over the use of the Control-M log-on IDs.

Management's Response:

The Department of Transportation has developed and begun to implement several processes to reduce the risks related to unauthorized changes to its programs and data, including ensuring that changes to program code for its financial systems are authorized and production jobs are only scheduled from production libraries. Further, the Department has eliminated sharing of the majority of Control-M log-on IDs, including the most financially critical, and now requires users to log on with their individual log-on IDs. The Department plans to eliminate the ability to log into Control-M using all remaining shared log-on IDs in the future.

The Department of Transportation believes that these additional processes, along with processes in place during prior periods, significantly reduce the risks associated with programmers' access to programs and data.
