



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

February 4, 2014

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

We have completed our financial audit of the State of Wisconsin as of and for the fiscal year ended June 30, 2013, and have issued an unmodified opinion dated December 11, 2013, on the State's financial statements. These financial statements are prepared by the Department of Administration (DOA) in accordance with generally accepted accounting principles (GAAP) and included in the State's fiscal year (FY) 2012-13 Comprehensive Annual Financial Report (CAFR), which DOA has published on its website. Information in the CAFR helps to describe the State's fiscal condition, including the balance of the State's General Fund and the amount of the State's long-term debt.

As reported on a GAAP basis, and as shown on page 44 of the CAFR, the General Fund deficit decreased from \$2.2 billion as of June 30, 2012, to \$1.7 billion as of June 30, 2013. In its Management's Discussion and Analysis on page 29, DOA attributes this change to a variety of factors, including an increase of \$204.1 million in General Fund revenues and a decrease of \$175.2 million in expenditures. As a result, before transfers are taken into account, there was an excess of General Fund revenues over expenditures of \$2.3 billion. However, this amount is offset by \$1.9 billion in other financing sources and uses, such as transfers of general purpose revenue from the General Fund to other funds for debt service and to the University of Wisconsin (UW) System.

As shown on page 110, the State's long-term debt issued for general government operations was nearly \$11.2 billion as of June 30, 2013, which is an increase of \$136.4 million since June 30, 2012. In its Management's Discussion and Analysis on page 21, DOA attributes this increase to the issuance of additional debt, largely general obligation bonds.

During our audit, we identified internal control concerns that are required to be reported under *Government Auditing Standards*. Enclosed is the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, which discusses each concern and includes the response from management of the responsible agency. This report is also provided to the Secretary of DOA, the State Controller, and management of the state agencies included in the report.

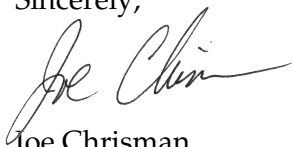
Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
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We report a material weakness related to reporting errors made by the Department of Employee Trust Funds in its preparation of financial statements included in the State's CAFR for the various benefit programs it administers (Finding WI-13-1). In addition, we again report a material weakness in internal control over the Human Resource System (HRS) used by UW System to process and record payroll for its employees (Finding WI-13-2 and Finding WI-13-3). Because UW System's financial activity is also reported separately from the State's CAFR, Finding WI-13-2 and Finding WI-13-3 are also included in report 14-3.

In addition, we report a significant deficiency related to reporting errors made by the Department of Health Services in its preparation of financial information included in the CAFR (Finding WI-13-4). We also continue to report significant deficiencies related to programmer access, which could result in unauthorized changes being made to information technology systems at the Department of Health Services (Finding WI-13-5) and the Department of Transportation (Finding WI-13-6).

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

Sincerely,



Joe Chrisman
State Auditor

JC/KE/sw

Enclosure

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

Michael Huebsch, Secretary
Department of Administration

Stephen Censky, State Controller
Department of Administration



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Joe Chrisman
State Auditor

February 4, 2014

Mr. Michael Huebsch, Secretary
Department of Administration
101 East Wilson Street, 10th Floor
Madison, Wisconsin 53701

Mr. Stephen Censky, State Controller
Department of Administration
101 East Wilson Street, 5th Floor
Madison, Wisconsin 53701

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, 2013. The financial statements and related opinions are included in the State of Wisconsin's Comprehensive Annual Financial Report, which was published by the Department of Administration in December 2013.

During the course of our audit, we identified internal control concerns at certain 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/KE/ss



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Joe Chrisman
State Auditor

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Honorable Members of the Legislature The Honorable Scott Walker, Governor

We have audited the financial statements and the related notes 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, which collectively comprise the State's basic financial statements, as of and for the year ended June 30, 2013, and have issued our report thereon dated December 11, 2013.

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*, which is issued by the Comptroller General of the United States. The basic financial statements and related auditor's opinions have been included in the State of Wisconsin's Comprehensive Annual Financial Report (CAFR) for fiscal year 2012-13.

Our report includes a reference to other auditors who audited the financial statements of 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 report on the State of Wisconsin's basic financial statements. The financial statements of 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*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. While the financial statements of the University of Wisconsin Foundation were audited in accordance with auditing standards generally accepted in the United States of America, they were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the University of Wisconsin Foundation.

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 of the financial statements, we considered the State's internal control to determine the

audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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 material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that have not 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 or 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 misstatements, 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 basic financial statements will not be prevented, or that a material misstatement will not be detected and corrected on a timely basis. 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 Finding WI-13-1, and Findings WI-13-2 and WI-13-3, when combined, to be material weaknesses. We consider the deficiencies described in the accompanying schedule of findings and responses as Findings WI-13-4, WI-13-5, and WI-13-6 to be significant deficiencies. Because the University of Wisconsin System's financial activity is also reported separately from the State's CAFR, Finding WI-13-2 and Finding WI-13-3 are also included in report 14-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's basic financial statements are free from material misstatement, we performed tests of 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*.

Management Responses to Findings

The State's written responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The State's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

LEGISLATIVE AUDIT BUREAU

A handwritten signature in black ink, appearing to read "Joe Chrisman". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Joe Chrisman
State Auditor

December 11, 2013

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-13-1: Financial Reporting Process for the Department of Employee Trust Funds

Criteria:

The Department of Employee Trust Funds (ETF) prepares financial statements for the various benefit programs it administers for inclusion in the State's Comprehensive Annual Financial Report (CAFR). This includes financial statements for the Wisconsin Retirement System (WRS) Fund, the Accumulated Sick Leave Fund, and health and life insurance programs for active and retired employees of the State and participating local governments. ETF is responsible for maintaining effective internal controls to ensure the financial statements of the various benefit programs it administers are fairly presented in accordance with generally accepted accounting principles.

Condition:

ETF did not establish sufficient procedures and controls related to the preparation and review of its financial statements for inclusion in the State's CAFR. Therefore, ETF could not be assured that financial statement misstatements were prevented, or detected and corrected in a timely manner, and that the financial statements were fairly presented.

Questioned Costs:

None

Context:

ETF is responsible for the preparation of financial statements included in the State's CAFR for the various benefit programs it administers, including the WRS Fund and the Accumulated Sick Leave Fund. The WRS Fund earned \$8.6 billion in net investment income and collected \$1.7 billion from contributions during fiscal year (FY) 2012-13. The Accumulated Sick Leave Fund earned \$220.0 million in investment income during FY 2012-13.

Effect:

Because of the lack of a sufficient review process as part of its preparation of the financial statements included in the State's CAFR, ETF failed to identify a change needed in its procedures to properly incorporate changes the State of Wisconsin Investment Board made in reporting investment income. As a result, we identified the following material errors in the FY 2012-13 financial statements:

- a \$241.2 million understatement in net investment income, a \$117.9 million overstatement in Cash and Cash Equivalents, and a \$359.1 million overstatement in a liability account in the WRS Fund's financial statements;

- a \$160.8 million overstatement in investment income, a \$200.3 million understatement in Cash and Cash Equivalents, and a \$361.1 million overstatement in various receivable accounts in the Accumulated Sick Leave Fund's financial statements; and
- an \$80.4 million overstatement in investment income, an \$82.4 million overstatement in Cash and Cash Equivalents, and a \$2.0 million overstatement in various liability accounts in the financial statements of other benefit programs ETF administers.

In addition, because ETF did not complete an entry to report certain revenue correctly in its FY 2012-13 financial statements, the Employer Contribution and Cash and Cash Equivalents accounts in the WRS Fund's financial statements were understated by \$170.6 million.

ETF staff subsequently corrected the financial statements for the errors we identified during our audit work.

Cause:

ETF has not implemented a sufficient process for review of the financial statements prior to submission to the State Controller's Office in the Department of Administration for inclusion in the State's CAFR.

Recommendation:

We recommend the Department of Employee Trust Funds develop and implement procedures to improve the oversight of its financial reporting process for the financial statements it prepares for inclusion in the State's Comprehensive Annual Financial Report, including completing year-to-year comparisons of account balances, which may assist the Department of Employee Trust Funds in identifying potential errors.

Response from the Department of Employee Trust Funds:

ETF agrees with the recommendation and will be addressing the internal control deficiency identified. Staff involved in the error have been reminded how to properly complete the financial statements. In addition, by no later than June 30, 2014, ETF will implement a comprehensive workplan detailing all steps necessary for preparation of financial statements and disclosures for the State's CAFR. Detailed procedures and instructions will be developed to supplement the workplan where appropriate. ETF has adjusted work assignments to ensure that tasks occur in a timely manner, will hire an additional experienced accountant to provide closer direct oversight over the financial reporting process, will expand the internal peer review of the financial statements, and will use trend analysis involving year-to-year comparisons of account balances on all financial statements.

Finding WI-13-2: Access Concerns with the University of Wisconsin System's Human Resource System*

Criteria:

The Human Resource System (HRS), which was largely implemented in April 2011, 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 and monthly payroll for all staff and students employed by UW institutions, including the 13 four-year campuses, 13 two-year colleges, UW-Extension, and UW System Administration.

The UW Service Center provides support to all UW institutions related to payroll, benefits, and other automated human resources processing. UW-Madison's Division of Information Technology (DoIT) provides HRS information technology support, such as programming and data security.

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.

Condition:

We reported concerns with access to HRS during both our FY 2010-11 and FY 2011-12 audits. We performed limited testing during our fiscal year (FY) 2012-13 audit to determine if the incompatible access noted during our FY 2011-12 audit continued to exist. We found that 18 of the 22 users we identified during our FY 2011-12 audit continued to have access that allows the users to add either an employee or student help employee to HRS; 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. The other four users terminated employment from UW System since our last audit or had their access changed. We also identified one additional user that had incompatible access during FY 2012-13 who did not have incompatible access during FY 2011-12. Further, we found that all 19 of the users with incompatible access had access on a systemwide level.

Questioned Costs:

None

Context:

Payroll-related expense is the most significant expense of UW System, totaling nearly \$2.9 billion, or nearly 63.0 percent of UW System's total expenses for FY 2012-13.

Effect:

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

Cause:

In response to our previous concerns over HRS security, UW System began a project to assess HRS security roles and the permissions that are attached to these roles so that necessary changes could be identified, including removing inappropriate access and developing compensating controls when staffing constraints would not allow for proper separation of duties. UW System has not completed its security role review and, therefore, it continues to be at risk that inadvertent, erroneous, or unauthorized payments could be processed through HRS. UW System staff indicated that the review of roles was expected to be completed in December 2013.

Recommendation:

We recommend UW System Administration review the specific concerns we communicated in more detail in our November 26, 2013 interim audit memorandum and complete its review of all HRS security roles, limit or adjust access as necessary, and implement compensating controls when proper separation of duties cannot adequately be achieved.

Response from University of Wisconsin System Administration:

UW System Administration has reviewed the findings and recommendations identified in the November 26, 2013 memorandum, and agrees with the findings listed in the memorandum.

UW System Administration and UW-Madison's DoIT are committed to addressing these findings during calendar year 2014 and completing the first part of the recommendation regarding the review of all HRS security roles by December 31, 2013. UW System Administration and DoIT will continue to adjust role configurations to address separation of duties and least privileges controls, and will identify and implement mitigating controls for instances where separation of duties or least privilege cannot be strictly enforced by December 31, 2014.

Finding WI-13-3: Program Change Controls over the University of Wisconsin System's Human Resource System*

Criteria:

The Human Resource System (HRS), which was largely implemented in April 2011, 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 and 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.

The UW Service Center provides support to all UW institutions related to payroll, benefits, and other automated human resources processing. UW-Madison's Division of Information Technology (DoIT) provides HRS information technology support, such as programming and data security.

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:

In response to our fiscal year (FY) 2011-12 recommendations related to program change controls, UW System took some steps to address internal control concerns, including purchasing a separate change management application, Phire, which if properly implemented requires all program

changes to move through predetermined steps and approvals before migration to the HRS production environment. However, we continued to identify 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 employee, who is responsible for moving program code changes into the production environment, also has access to the Phire Security Role that allows this employee to grant any access to any employee, including himself. This employee was granted access to the Phire Security Role even though this employee was not responsible for security.
- One employee, who is responsible for creating program code changes, also has access to the Phire Manager Role that allows this employee to bypass all required approvals and directly assign a program code change to be moved into the production environment.
- Four employees, who are responsible for moving program code changes into the production environment after all required approvals are applied, also have access to change Phire workflows and, thus, could bypass all required approvals before moving changes into production.
- Forty-six employees have been granted access to one or more of eight roles identified by UW System that provide the employees with the ability to make configuration changes directly in the HRS production environment. For example, eleven employees have access to a security role that is currently described as having the ability to set up benefit programs and plans and perform all related benefits configurations.

Finally, we found that the new Phire change management application could be circumvented because one employee continues to have access to an HRS security role that allows the user to move program code changes into the production environment.

Questioned Costs:

None

Context:

Payroll-related expense is the most significant expense of UW System, totaling nearly \$2.9 billion, or nearly 63.0 percent of UW System's total expenses for FY 2012-13.

Effect:

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

Cause:

UW System did not properly establish access to the Phire change management application. We found that there is currently no documentation, such as a role catalog, that describes the capabilities of each Phire security role and would help staff understand the permissions of each role to ensure that proper separation of duties is achieved.

Further, as noted during our FY 2011-12 audit, UW System was not aware of all HRS security roles that may provide the user with the ability to make configuration changes. UW System began a project to assess HRS security roles and the permissions that are attached to these roles so that necessary changes could be identified, including removing inappropriate access and developing compensating controls when staffing constraints would not allow for proper separation of duties. At the time of our fieldwork, UW System staff indicated that the security role review was expected to be completed in December 2013.

Recommendation:

We recommend UW System Administration:

- review the specific access concerns we communicated in more detail in our November 26, 2013 interim audit memorandum and adjust or remove access as appropriate;
- review all Phire security roles and the permissions attached to these roles, limit or adjust access as necessary, and implement compensating controls when proper separation of duties cannot adequately be achieved; and
- complete the review of all HRS security roles with configuration access, limit or adjust access as necessary, and implement compensating controls when proper separation of duties cannot adequately be achieved.

Response from University of Wisconsin System Administration:

UW System Administration has reviewed the findings and recommendations identified in the November 26, 2013 memorandum, and agrees with the findings listed in the memo.

UW System Administration and UW-Madison's DoIT are committed to addressing these findings during calendar year 2014 by prioritizing the work and coordinating through the respective program management offices. These projects will be managed through discovery, implementation, and deployment phases. For program code changes, the goal is to complete the discovery phase by April 11, 2014, with an approved implementation and deployment plan by May 23, 2014. For configuration changes, the goal is to complete the discovery phase by June 30, 2014, with an approved implementation and deployment plan by July 31, 2014. Each project plan will identify the solution, the milestones, the implementation team, a communication plan, and a decision-making process. The project plans will also include a deployment schedule and the transition plan to the operational state.

Finding WI-13-4: Financial Reporting Process for the Department of Health Services

Criteria:

The Department of Health Services (DHS) is responsible for maintaining effective internal controls to ensure the financial information submitted to the State Controller's Office in the

Department of Administration for inclusion in the State's financial statements is fairly presented and that misstatements are prevented, or detected and corrected in a timely manner.

Condition:

Overall, the financial information submitted by DHS to the State Controller's Office is fairly presented. However, during our FY 2012-13 audit, we identified several errors in financial information related to Medicaid. The most significant of the reporting errors was the omission of a liability for Medicaid services performed on a fee-for-service basis but not yet paid for as of June 30, 2013. In addition, other Medicaid-related reporting errors of smaller amounts also occurred.

Questioned Costs:

None

Context:

DHS administers the Medicaid program, which is the largest federal program administered by the State and accounted for in the General Fund. DHS's financial information is incorporated into the State's basic financial statements, along with other information from other state agencies.

Effect:

Because DHS did not appropriately accrue for unpaid fee-for-service Medicaid claims, the Human Relations and Resources expenditure account was understated by \$388.7 million and the Intergovernmental Revenue account was understated by \$233.0 million on the Statement of Revenues, Expenditures, and Changes in Fund Balance. In addition, Accounts Payable was understated by \$388.7 million and Due From Other Governments was understated by \$233.0 million on the Balance Sheet. Staff subsequently corrected for the unpaid fee-for-service Medicaid claims errors we identified during our audit work.

Cause:

The financial reporting errors related to Medicaid occurred, in part, due to staff oversight. Time constraints placed on staff may have prevented them from identifying the errors. In addition, the financial information was not subject to a secondary review prior to submission to the State Controller's Office for inclusion in the State's financial statements.

Recommendation:

We recommend the Department of Health Services take greater care when preparing financial information to be included in the State's financial statements. Specifically, the Department should:

- focus its efforts on the larger and more complicated adjusting journal entries to avoid errors in the State's financial statements; and
- perform a secondary review of the financial information prior to submitting it to the State Controller's Office for inclusion in the State's financial statements.

Response from the Department of Health Services:

DHS agrees with the finding. DHS staff made changes to the financial information as soon as the issue was raised. DHS continues to be constrained by the short amount of time between when the information is available and when the information is to be submitted to the State Controller's Office. DHS is committed to accurately reporting financial information and will establish and implement additional procedures to ensure statements are more thoroughly reviewed prior to submission to the State Controller's Office.

Finding WI-13-5: Department of Health Services Program Change Controls*

Criteria:

DHS 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, DHS should not allow program change controls to be circumvented, and DHS should maintain documentation that staff followed the established program change process.

Condition:

In our FY 2011-12 audit, we reported a significant deficiency in internal control related to program change controls. Programmers who made program changes could also review and approve those changes. In addition, DHS did not have formal procedures to document the program change process. DHS staff informed us that DHS implemented new procedures to improve program change controls in September 2013. For example, DHS now requires secondary approval of program changes prior to moving the change into production. DHS also established written guidelines to document the process for completing the change. We will test these new procedures during our FY 2013-14 audit. However, because these corrective actions were implemented in September 2013, DHS continued to be at risk that erroneous or unauthorized computer program changes were made during FY 2012-13.

Questioned Costs:

None

Context:

DHS 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 controls over the program change process could have been circumvented, DHS was at increased risk that erroneous or unauthorized changes were made to important financial systems. In addition, due to the lack of documentation, DHS was not assured that program change controls were followed.

Cause:

DHS staff indicated that, due to staff turnover, they were not able to implement new procedures to improve program change controls until September 2013.

Recommendation:

The Department of Health Services informed us it took corrective action to address concerns in this area in September 2013. Therefore, we do not make recommendations at this time. We will test the Department's new procedures during our FY 2013-14 audit.

Response from the Department of Health Services:

No response required.

Finding WI-13-6: 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, at the Department of Transportation (DOT), individuals should not be able to access the Control-M job scheduling program directly using Control-M log-on IDs. Finally, periodic reviews of access should be performed to ensure user access remains appropriate.

Condition:

Computer programmers at DOT have access to production programs and data. During our FY 2012-13 audit, we found that 20 computer programmers were able to move program changes, including their own changes, from the test environment to production. This was an increase from the 16 programmers who had access during our FY 2011-12 audit. Although DOT indicated that a high-level review of program changes is being completed, the review has not been documented.

We also found that five programmers had access to production data through both their individual log-on ID and through a financially critical Control-M log-on ID. Further, DOT has not performed periodic reviews of individual access granted to the Control-M job scheduling program.

Questioned Costs:

None

Context:

DOT maintains accounting and other systems critical to agency operations. These systems enable DOT to collect and expend more than \$2.6 billion annually to issue drivers' 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 with extensive knowledge of DOT's computer programs and datasets could make unauthorized changes to the programs or data and conceal those changes, resulting in undetected or erroneous changes. Further, changes that have not been adequately tested could be moved into production, and could result in errors.

We also note that because programmers continue to have the ability to access the scheduling program with their individual log-on ID and directly with a financially critical Control-M log-on ID, programmers could access and make unauthorized changes to production data.

Further, because an individual could access the program using the Control-M log-on ID, any changes made to Control-M schedules and jobs using the Control-M log-on ID will not be attributable to the individual who made the change.

Finally, because DOT does not perform a review of access to the Control-M log-on ID, there is an increased risk of inappropriate access.

Cause:

DOT has indicated that it can more efficiently complete program changes and job scheduling by allowing programmers access to the production environment and to the Control-M log-on IDs. However, DOT also understands the need for improving controls in this area. Over the past few years, DOT has sought to implement compensating controls to reduce the risks involved with allowing this access.

Recommendation:

We recommend the Department of Transportation continue its efforts to develop and implement procedures for ensuring changes to programs and data are authorized, appropriately tested, and comply with industry standards, including that programmers' access to production programs and data be eliminated or that effective compensating controls be documented and implemented to reduce the risk of unauthorized changes. Further, we recommend the Department of Transportation continue to improve controls over the use of the Control-M log-on IDs by limiting direct access and reviewing individual access granted to the Control-M job scheduling program.

Response from the Department of Transportation:

DOT has initiated a project to review and implement processes to reduce the risks related to unauthorized changes to its programs and data, including changes to the development environment for financial systems. Specifically, a new change control environment will be created to isolate financial systems and significantly limit access to financial programs by development staff. Additionally, DOT will eliminate staff access to the two remaining shared Control-M log-on IDs and begin semiannual supervisor reviews of access to Control-M using individual log-on IDs. The project is expected to be completed in calendar year 2014. DOT believes that the additional processes, along with processes established in the past, significantly reduce the risk associated with programmers' access to programs and data.

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