

HB3291 Relating to Audits of State Agencies

**Changes the Oregon Employment Department has made or
is making to implement recommendations made in the audit titled;**

Computer Controls for the Oregon Benefit Information System
(August 2012)

HB3291 (2011) Relating to Audits of State Agencies

Report on Implementation of Recommendations made in the **Computer Controls for the Oregon Benefit Information System** audit

This report is being submitted to meet the requirements as contained in HB3291 SECTION 1 which states "Each state agency that is audited by the Secretary of State under ORS 297.070 shall disclose the results of the audit and submit a written report about changes the agency has made, or is making, to implement the audit recommendations to:

- (1) The Legislative Assembly, within six months after the date the secretary issues the audit report; and
- (2) To the subcommittee of the Joint Committee on Ways and Means considering the agency's budget request, at all hearings related to the agency's budget for a period of three years after the date the secretary issues the audit report."

Attachment A is being submitted to the Legislative Assembly electronically to meet the requirements of SECTION 1 (1) requirements.

The information in this report includes implementation work performed or planned based on audit recommendations included in the **Computer Controls for the Oregon Benefit Information System** audit conducted by the Oregon Secretary of State Audits Division and issued in August 2012. The report included recommendations specifically to the Oregon Employment Department (OED). The summary of implementation includes the original recommendation, status update, narrative related to implementation, and a point of contact.

The audit report, including the agency's initial response can be found on the Oregon Secretary of State website at the following address: http://www.sos.state.or.us/audits/pages/state_audits/full/2012/2012-25.pdf (Report No. 2012-25).

Secretary of State Recommendation 1: Department Management take steps to better ensure accurate payment of Unemployment Insurance claims by establishing:

- additional automated or manual processes to better prevent system input errors;
- more robust error detection procedures to identify payment anomalies and ensure their timely correction;
- procedures to ensure that identified overpayments are monitored to ensure that associated overpayment decisions are appropriately generated;
- staffing requirements for the overpayment unit to ensure timely processing of overpayment decisions; and
- procedures for correcting overpayment errors that ensure compliance with federal regulations.

Status of Agency Corrective Actions: The Department created a new automatic stop that prevents the system from making duplicate benefit payments for the same benefit week. The stop remains in place until reviewed and inactivated. A mandatory comment is required when the flag is inactivated. Corrections to existing programming prevent the system from making payments exceeding claimant's weekly benefit amounts and the system produces comments documenting any manual adjustments. The process for unemployment benefit claims determined to be payable under a different unemployment program has been modified to prevent the likelihood of duplicate payments.

Corrective action involving claimants who received benefits in excess of their maximum weekly benefit amount due to system error involved both establishing the overpayment that was made and correcting the system error. Management identified and corrected the system error and developed a system report that identifies payments made in excess of claimant's maximum weekly benefit amount for all programs. The report will be run routinely to assist with identification and remediation of future system or human error that might result in overpayment, and provide early detection of overpayments.

Contact Person: DeeAnna Hassanpour, UI Benefits Admin (DeeAnna.Hassanpour@state.or.us)

Secretary of State Recommendation 2: Develop and implement change management controls to:

- better restrict programmers' access to production and source code libraries;
- ensure development, retention, and maintenance of automated system control documentation and design specifications;
- establish requirements for developing, documenting and retaining testing plans and test results associated with all program code changes;
- establish requirements and expectations for technical reviews, such as code compares, and ensure these reviews are
- independently performed for all code changes before code is moved to the production environment;
- ensure processes are in place to ensure adequate version control of source code; and
- ensure all change management steps and approvals are appropriately documented and retained.

Status of Agency Corrective Actions: We have taken steps to reduce risks through policy and procedure update, peer review, and improved monitoring. The agency is in the process expanding the use of its IT Service Request System to include more comprehensive change control abilities. The first phase was application development tracking; future phases are intended to include access management request and a more detailed application program change log. Formal procedures and guidelines are being developed in support of the consolidation of change management methods and are being expanded to include testing and quality assurance procedures, including emergency procedures when an event or situation is discovered that negatively impacts operations. Version control tools now available from the State Data Center (SDC) are being evaluated and will be included in the change control process where the use of those tools will improve process tracking and effectiveness. The department recognizes the need to develop training for program area staff on what needs to be included in a request for change and what the requestors responsibilities are. Accordingly, the department's IT staff is working with the business community stakeholders to develop appropriate materials.

Corrective action has been taken to restrict programmer access to production and source code libraries. UI Management reviewed and restricted programmer access to production and source code libraries to the minimum required for support needs. The department is looking for monitoring software to further reduce the risk of delinquent library updates.

Contact Person: Leslie Cummings, Information Security Program Manager (Leslie.Cummings@state.or.us)

Secretary of State Recommendation 3: Ensure all necessary OBIS files have been backed up and are available for restoration, and work with the State Data Center to develop detailed procedures that fully define how the system should be recovered in the event of a disaster or significant disruption. Once established, those procedures should be periodically tested and adjusted as necessary to ensure timely recovery will occur.

Status of Agency Corrective Actions: We agree with findings as OBIS testing and recovery has not been fully completed since system consolidation at the SDC. The department has a reasonable level of confidence that OBIS can be fully recovered from a disaster based on a 2011 independent review and testing of business continuity and disaster recovery. In addition, the department successfully tested partial recovery of mainframe systems in 2011 at the SDC. While this review was in progress, the department had to recover mainframe production data due to an infrastructure failure at SDC. Data recovery was completed per business continuity and disaster recovery plans in the time required to provide management a reasonable level of confidence that full mainframe recovery can be performed when required. To reduce OBIS recovery risks further, the department participated in an SDC full mainframe recovery test in January 2013 and continues to work with SDC in the update of recovery plans concerning system infrastructure.

Contact Person: Leslie Cummings, Information Security Program Manager (Leslie.Cummings@state.or.us)

Secretary of State Recommendation 4: Resolve the security weaknesses we identified in our confidential management letter and work with the State Data Center to ensure the department's security expectations are clearly established and fulfilled.

Status of Agency Corrective Actions: We agree with audit findings concerning the need for improving security measures and controls. We worked closely with the SOS auditors throughout the course of their audit to review and correct issues as they were identified and continue to address identified risks.

Contact Person: Leslie Cummings, Information Security Program Manager (Leslie.Cummings@state.or.us)

CONTACT PERSON: Bob McQuillan, OED Chief Audit Executive, Robert.W.Mcquillan@state.or.us, 503-947-1733

ATTACHMENT A

Executive Summary

HB3291(2011) Relating to Audits of State Agencies
Executive Summary of Implementation for Recommendations within the
Computer Controls for the Oregon Benefit Information System audit

The Oregon Employment Department respectfully submits the following HB3291 report. Agencies audited by the Secretary of State under ORS 297.070 are required to report on implementation of audit recommendations within six months of audit issuance.

Background:

Per HB 3291 the Employment Department is submitting implementation of audit recommendations related to the Secretary of State Audits Division audit titled Computer Controls for the Oregon Benefit Information System. The report was issued in August 2012. The report included recommendations specifically to the Employment Department: a full copy of the issued audit report is available on the Secretary of State's website: http://www.sos.state.or.us/audits/pages/state_audits/full/2012/2012-25.pdf (Report No. 2012-25).

Summary of Recommendations & Progress to Date:

All information contained in the report was received from the agency personnel. It is important to note that in most instances the corrective action taken has not been re-examined by auditors. The corrective action taken should identify the most recent actions taken to implement findings as issued in the report. This document represents the executive summary as required by HB 3105 (2011).

Recommendation 1 - Department Management take steps to better ensure accurate payment of Unemployment Insurance claims.

Progress to Date – System changes were made to prevent payments in excess of a claimants weekly benefit amount and automatic stops were put in place to prevent the system from making duplicate benefit payments.

Recommendation 2 - Department Management develop and implement change management controls.

Progress to Date – Programmer access to production and source code libraries has been restricted and policy and procedure updated to provide improved control. The Departments Service Request System is being expanded to improve change control.

Recommendation 3 - Department Management ensure all necessary OBIS files have been backed up and are available for restoration, and work with the State Data Center (SDC) to develop detailed procedures that fully define how the system should be recovered in the event of a disaster or significant disruption.

Progress to Date – The Department is working with the SDC to update OBIS data recovery plans. An SDC infrastructure failure occurred while this audit was in progress and data recovery was successfully performed within hours and providing agency management with a reasonable level of confidence that our efforts to date are providing the necessary levels of control.

Recommendation 4 - Department Management resolve the security weaknesses we identified in our confidential management letter and work with the State Data Center to ensure the departments security expectations are clearly established and fulfilled.

Progress to Date – We agree with the auditor’s findings and the Department immediately began addressing noted risks during the audit process and continued working with the audit team throughout the duration of the audit to review and correct issues as they were identified.

Additional Information:

A more detailed description of recommendations and corrective actions implemented to date is included in the full report submitted to the Legislative Administrator. If you have questions about our implementation actions please use the agency contact as listed in the full report.