



**OFFICE OF AUDITOR OF STATE  
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NEWS RELEASE

Contact: Andy Nielsen

FOR RELEASE \_\_\_\_\_ December 31, 2003 \_\_\_\_\_ 515/281-5834

Auditor of State David A. Vaudt today released a report on the review of selected general and application controls over the Iowa Department of Transportation's Human Resource Information System (HRIS) for the period May 27 through June 30, 2003.

Vaudt recommended that the Department develop and implement procedures to improve the review of payroll notifications, logical access controls, emergency recovery procedures and accountability for warrants.

A copy of the report is available for review at the Iowa Department of Transportation or the Office of Auditor of State.

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**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF TRANSPORTATION  
ON THE REVIEW OF SELECTED GENERAL  
AND APPLICATION CONTROLS OVER THE  
HUMAN RESOURCE INFORMATION SYSTEM**

**MAY 27 TO JUNE 30, 2003**

Office of  
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July 3, 2003

To Mark F. Wandro, Director of the  
Iowa Department of Transportation:

In conjunction with our audit of the financial statements of the State of Iowa for the year ended June 30, 2003, we have conducted an information technology review of selected general and application controls for the period May 27 through June 30, 2003. Our review focused on the general and application controls for the Iowa Department of Transportation's Human Resource Information System (HRIS) as they relate to our audit of those financial statements. The review was more limited than would be necessary to give an opinion on internal controls. Accordingly, we do not express an opinion on internal controls or ensure that all deficiencies in internal controls are disclosed.

In conducting our review, we became aware of certain aspects concerning information technology controls for which we believe corrective action is necessary. As a result, we have developed recommendations, which are reported on the following pages. We believe you should be aware of these recommendations which pertain to the Department's application controls over HRIS. These recommendations have been discussed with Department personnel, and their responses to these recommendations are included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Transportation, citizens of the State of Iowa, and other parties to whom the Iowa Department of Transportation may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Department of Transportation during the course of our review. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our review of HRIS are listed on page 7, and they are available to discuss these matters with you.

DAVID A. VAUDT, CPA  
Auditor of State

cc: Honorable Thomas J Vilsack, Governor  
Cynthia P. Eisenhauer, Director, Department of Management  
Dennis C. Prouty, Legislative Services Agency

May 27 through June 30, 2003

## **Human Resource Information System (HRIS) General and Application Controls**

### **A. Scope and Methodology**

In conjunction with our audit of the financial statements of the State of Iowa, we reviewed selected aspects of the general and application controls in place over HRIS for the period May 27 through June 30, 2003. Specifically we reviewed the general controls: access controls and service continuity; and application controls: input, processing and output controls for HRIS. We interviewed staff from the Department and we reviewed Department policies and procedures. To assess the level of compliance with identified controls, we performed selected tests.

We planned and performed our review to adequately assess those Department operations that are within our review scope. We developed an understanding of the Department's internal control that is relevant to the operations included in our review scope. We believe our review provides a reasonable basis for our recommendations.

We use a risk-based approach when selecting activities to be reviewed. We therefore focus our review efforts on those activities we have identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, we use our finite review resources to identify where and how improvements can be made. Thus, we devote little effort to reviewing operations that may be relatively efficient or effective. As a result, we prepare our review reports on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

### **B. Results of the Review**

As a result of our review, we found that certain controls can be strengthened to further ensure the reliability of financial information. Our recommendations, along with the Department's responses are listed in the remainder of this report.

## **General and Application Controls:**

- (1) Iowa Department of Personnel Approvals – Five separate system approvals are required to add a new permanent full time position. One of the five approvals is the Iowa Department of Personnel (IDOP). One Iowa Department of Transportation (IDOT) employee has the ability to apply approvals for IDOP. Additionally, the System Administrator for employee services of IDOT provides the logical access to employees to apply IDOP approval. Effective July 1, 2003, IDOP became part of the Iowa Department of Administrative Services.

Recommendation – The ability of the IDOT employee to provide Iowa Department of Personnel authorization should be removed immediately. Additionally, written authorization should be obtained from IDOP for any user given authorization to apply IDOP approval.

Response – At the time of this audit, no employee in the Office of Employee Services (OES) had this authority. In the past, this authority was given to the employee in response to a specific request for assistance from the IDOP and later removed. OES will develop a procedure requiring written documentation of any possible future requests from IDOP, the personal approval of the Office Director before implementation of the request and written verification that the authority was subsequently removed.

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Conclusion - Response acknowledged. Written authorization should be obtained from IDOP for IDOT before applying certain HRIS approvals.

- (2) Payroll Notifications - A procedure has been put into place which requires that the payroll department be notified whenever a payroll warrant is written that exceeds \$10,000. The notification is reported on the output to the payroll department. However, there is no documented evidence that payroll department reviews the notifications for propriety.

Recommendation - The payroll department should document the review of the notifications to help ensure that warrants are proper and are authorized.

Response - Payroll will document the review of the notifications.

Conclusion - Response accepted.

- (3) Proxy Access - IDOT has a process where one employee can approve a new hire or an employee timesheet on behalf of a supervisor. System logs show the individual applying the approval as well as the supervisor for which they are a proxy. Procedures do not exist outlining how this access is to be granted. Additionally, the current process does not provide documentation for an employee to act as a supervisor's proxy.

Recommendation - IDOT should establish written procedures identifying situations when proxy access should be granted as well as the process through which access is established. Additionally, documented approvals should be obtained anytime an employee is given proxy authority for a supervisor.

Response - The System Access System provides documented approval levels when a supervisor delegates proxy authority to an employee. IDOT has a policy (30.11) which states The user shall not use another's individual user ID and password without obtaining prior authorization, but does not identify situations when proxy access may be granted as well as the process through which access is established. The Office of Employee Services (OES) will work with the Information Technology Division (ITD) to review the policy and update it as needed. In addition, the OES and ITD will jointly prepare a memorandum to all managers and supervisors to remind them of the process and notify them of the change in the policy.

Conclusion - Response acknowledged. User ID's and passwords should not be shared under any circumstance.

- (4) Emergency Recovery Procedures - IDOT does not have written procedures to re-establish payroll in the event of a disaster. Essential department functions may still require human resources for which IDOT would have a responsibility to ensure that employees are paid.

Recommendation - IDOT should establish written procedures to ensure that in the event of a disaster employees will continue to be compensated for services rendered.

Response - IDOT is in the process of revising the 1997 disaster contingency plan. This plan will include all IDOT priority systems including payroll. The plan will provide for an efficient and timely resumption of business processes. The plan will be completed in fiscal year 2004.

Conclusion - Response accepted.

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- (5) Payroll Warrant Numbers - IDOT has gone to a payroll warrant printing system that no longer utilizes prenumbered warrants. Instead, the computer assigns the warrant number as the warrant is written. There are no controls in place to help ensure that duplicate warrants or gaps in warrants do not go undetected.

Recommendation - IDOT utilizes a payroll "proof" run that is used to verify the total dollar amounts on the final payroll. During this proof run, the system simulates the preparation of an "issue file" that is sent to the Treasurer of State. IDOT should consider performing procedures such as checking for gaps or duplicate warrants prior to the final payroll being run.

Response - We will review the new payroll warrant printing system to determine the appropriate procedures to be used.

Conclusion - Response accepted, subject to subsequent review.

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**Staff:**

Questions or requests for further assistance should be directed to:

Erwin L. Erickson, CPA, Director  
Ernest R. Ruben, Jr., CPA, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this review include:

Shawn P. Limback, CPA, Staff Auditor  
Billie Jo Heth, Staff Auditor