



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ May 15, 2012

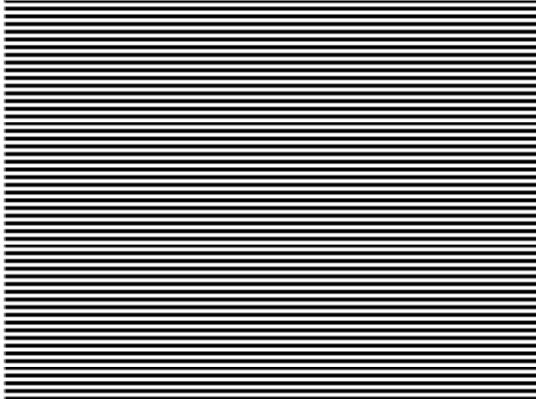
Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released a report on a review of selected application controls over the Iowa Department of Transportation's Driver's License System for the period May 2, 2011 through May 27, 2011.

Vaudt recommended the Department establish written policies and procedures for the review of transactions, strengthen password controls and segregate duties for the reconciliation of cash drawers from the individuals collecting the fees. The Department responded positively to the recommendations.

A copy of the report is available for review at the Iowa Department of Transportation, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1260-6450-BT01.pdf>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF TRANSPORTATION
ON A REVIEW OF SELECTED
APPLICATION CONTROLS OVER THE
DRIVER'S LICENSE SYSTEM**

May 2, 2011 THROUGH May 27, 2011

Office of
**AUDITOR
OF STATE**

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March 8, 2012

To Paul Trombino III, 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, 2011, we conducted an information technology review of selected application controls of the Iowa Department of Transportation for the period May 2, 2011 through May 27, 2011. Our review focused on the application controls of the Iowa Department of Transportation's Driver's License System as they relate to our audit of the 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 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 the Driver's License System. These recommendations have been discussed with Department personnel and their responses to these recommendations are included in this report. While we have expressed our conclusions on the Department's responses, we did not audit the Department's responses and, accordingly, we express no opinion on them.

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 the Driver's License System are listed on page 6 and they are available to discuss these matters with you.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Terry E. Branstad, Governor
David M. Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

May 2, 2011 through May 27, 2011

Driver License System Application Controls

A. Background

The Iowa Department of Transportation's (DOT) Driver's License System is used to issue driver's licenses and facilitate the recording of fees collected.

B. Scope and Methodology

In conjunction with our audit of the financial statements of the State of Iowa, we reviewed selected aspects of the application controls in place over the Iowa Department of Transportation's Driver's License System for the period May 2, 2011 through May 27, 2011. Specifically, we reviewed the application controls: access controls, segregation of users, configuration management, interface controls and business process controls, including input, processing and output. We interviewed staff of 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 within the scope of our review. We developed an understanding of the Department's internal controls relevant to the operations included in the scope of our review. We believe our review provides a reasonable basis for our recommendations.

We used a risk-based approach when selecting activities to be reviewed. We focused our review efforts on those activities we identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, we used our finite review resources to identify where and how improvements can be made. Thus, we devoted 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.

C. Results of the Review

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

Application Controls

- (1) Monthly Transaction Review – Field supervisors are instructed to review 5% of all transactions processed monthly on the Driver's License System for control purposes and quality assurance. There is no written policy providing guidance for this procedure and no assurance the reviews are completed timely, consistently and performed at the required percentage level.

Recommendation – The Department should establish written policies and procedures to provide staff with guidance detailing the review of monthly transactions, the percentage level to be reviewed and monitor the activity to ensure reviews are completed consistently for all locations.

Report of Recommendations to the Iowa Department of Transportation

May 2, 2011 through May 27, 2011

Response – The Office of Driver Services has created a procedure which we have now provided to you to provide staff with guidance.

Conclusion – Response accepted.

- (2) Password Controls – User ID's and passwords are used to identify and authenticate users in controlling access to system resources. Typical controls for protecting information resources include the use of strong passwords which are at least 8 characters in length, include a combination of alpha, numeric and special characters, are changed every 60 to 90 days, are not allowed to be reused, are locked out after a limited number of consecutive unsuccessful attempts and require default passwords to be changed after the first login. Passwords for the Driver's License System include several, but not all, of these control features.

Recommendation – The Department should implement additional security features to strengthen password controls.

Response – The Department is working toward configuration changes within Active Directory to strengthen password controls.

Conclusion – Response accepted.

- (3) Cash Drawer Reconciliations – Cash reconciliations between the cash drawers and the Driver's License System are performed daily to ensure the Daily Reconciliation Reports balance to cash drawers. In addition, cash and check amounts are verified prior to daily sweeps and to determine amounts to be swept agree with the EFT requests. Due to limited staffing at some of the smaller county Driver's License stations, clerks perform their own reconciliations and balancing duties. This does not provide adequate segregation of duties.

Recommendation – The Department should work to ensure duties at small Driver's License stations are segregated as much as possible with the limited staff available.

Response – The small Driver's License stations are operated by County Treasurer staff. The DOT also has a couple of teams of three. When a person is absent, the goal is to have 2 people count the money. At the end of the day, all money is counted and deposited. If there is a problem the teams or the County offices find, a note is sent to the Audit department in our office. When the money is deposited, the bank recounts all the money and sends back the deposit slip. The examiner, supervisor or County Treasurer is responsible for reviewing the bank deposit slip as to what was deposited. The supervisors for the Driver's License DOT teams and the supervisors for the County teams will check the records for the 5% review when they are visiting an office. While these procedures are periodically completed, the procedures are not performed at all times and places where the teams are small. In those instances, it must be left up to the person in charge of that area. All employees which issue driver's licenses/identification cards have had background checks. Our goal is to always have two people count the money. We are going to continue to look at a way to automate a record for daily audits to be able to send a report stating the amount of money which should have been deposited from all teams and counties.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Transportation

May 2, 2011 through May 27, 2011

Staff:

Questions or requests for further assistance should be directed to:

Erwin L. Erickson, CPA, Director
Jenny R. Lawrence, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this review include:

Daniel W. Henaman, Staff Auditor
Ryan A. Yeager, CPA, Assistant Auditor