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NEWS RELEASE

FOR RELEASE _____

June 8, 2012

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a report on a review of selected general and application controls over the Iowa Department of Human Services' Medicaid Management Information System (MMIS) for the period April 4, 2011 through April 29, 2011.

Vaudt recommended the Department update and strengthen its disaster recovery plan, improve security management and strengthen MMIS password controls. The Department has responded positively to the recommendations.

A copy of the report is available for review at the Iowa Department of Human Services, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1260-4010-BT01.pdf>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF HUMAN SERVICES
ON A REVIEW OF SELECTED GENERAL AND APPLICATION
CONTROLS OVER THE DEPARTMENT'S
MEDICAID MANAGEMENT INFORMATION SYSTEM**

APRIL 4, 2011 THROUGH APRIL 29, 2011

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May 14, 2012

To Charles Palmer, Director of the
Iowa Department of Human Services:

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 general and application controls of the Iowa Department of Human Services for the period April 4, 2011 through April 29, 2011. Our review focused on the general and application controls of the Iowa Department of Human Services' Medicaid Management Information System (MMIS) 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 general and application controls over the MMIS 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 Human Services, citizens of the State of Iowa and other parties to whom the Iowa Department of Human Services 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 Human Services 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 MMIS system are listed on page 7 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 Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

April 4, 2011 through April 29, 2011

Medicaid Management Information System General and Application Controls

A. Background

The Iowa Department of Human Services' Medicaid Management Information System (MMIS) is a federally certified processing and reporting system which has been in continuous operation since July 1997. The system is used to process claims, prepare reports and track eligibility and services provided to recipients. The Iowa Department of Human Services hosts the system and equipment, but has contracted with Nordian Administrative Services, LLC (NAS) of Fargo, North Dakota to maintain the MMIS system and process claims. NAS is a licensed Blue Cross and Blue Shield insurance company and has been awarded the Medicaid contract with the State of Iowa since 2005.

B. 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 the Iowa Department of Human Services' Medicaid Management Information System for the period April 4, 2011 through April 29, 2011. Specifically, we reviewed the general controls: security management, configuration management and contingency planning and the application controls: access controls. 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.

April 4, 2011 through April 29, 2011

General Controls

- (1) Disaster Recovery Planning – Business continuity and disaster recovery plans are designed to help ensure an entity remains functional in the unlikely event of a loss of facilities or personnel. These plans should be based on the long range IT plan and should support and be aligned with the overall business continuity strategy.

The Iowa Department of Human Services has developed a disaster recovery plan, but it does not encompass a number of the components typically included in a comprehensive disaster recovery plan.

Recommendation – The Department should strengthen its disaster recovery plan. The plan should be updated regularly, distributed to key individuals and recovery teams and kept off site at multiple locations. Also, emergency processing priorities should be documented and approved by appropriate personnel.

Response – The Department is currently working to update COOP (Continuity of Operations) plans and disaster recovery plans. The Department’s MMIS COOP plan was updated in March 2010. Disaster Recovery functional exercises were conducted in January and February 2012. The Department will continue to update plans and distribute to key individuals. COOP plans will be maintained off-site, secured and in multiple locations.

Conclusion – Response accepted.

- (2) Vulnerability Assessments – Internet-borne attacks targeting security vulnerabilities occur on a daily basis and can threaten assets and mission critical systems. A proven way to reduce risks from attack is to proactively test systems and implement appropriate countermeasures. Vulnerability assessments and penetration testing are valuable tools in this process and help in gauging the effectiveness of security measures.

Vulnerability assessments and penetration testing have not been performed recently.

Recommendation – The Department should establish procedures to ensure vulnerability assessments and penetration testing are periodically conducted for critical systems.

Response – State of Iowa DAS-ISO (Department of Administrative Services - Information Security Office) will implement centralized vulnerability scanning during calendar year 2012. The Department will participate in the statewide enterprise centralized vulnerability scanning, scanning critical systems on a regular basis.

Conclusion – Response accepted.

April 4, 2011 through April 29, 2011

Application Controls

- (1) Password Control – User ID’s and passwords 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 and are locked out after a limited number of consecutive unsuccessful attempts.

Passwords for the MMIS system include several, but not all, of these control features.

Recommendation – The Department should implement security features to strengthen password controls for the MMIS system.

Response – The Department has reviewed the MMIS security features. Additional features will be implemented by October 2012.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Human Services

April 4, 2011 through April 29, 2011

Staff:

Questions or requests for further assistance should be directed to:

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Timothy D. Houlette, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this review include:

Tiffany M. Ainger, Staff Auditor
Casey L. Johnson, Assistant Auditor