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NEWS RELEASE

FOR RELEASE

August 16, 2013

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released a report on a review of selected general and application controls over the Iowa Department of Workforce Development (IWD) MyIowaUI and Unemployment Insurance Benefit systems for the period April 16, 2012 through May 4, 2012.

The report includes recommendations IWD restore the functionality to provide employers with monthly statements and current account balances and restore the functionality to comply with IRS 940 match requirements. IWD has responded positively to the recommendations.

A copy of the report is available for review at IWD, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/1360-3090-BT01.pdf>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF WORKFORCE DEVELOPMENT
ON A REVIEW OF SELECTED GENERAL AND
APPLICATION CONTROLS OVER THE MYIOWAUI AND
UNEMPLOYMENT INSURANCE BENEFITS SYSTEMS**

APRIL 16, 2012 to MAY 4, 2012

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August 13, 2013

To Teresa Wahlert, Director of the
Iowa Department of Workforce Development:

In conjunction with our audit of the financial statements of the State of Iowa for the year ended June 30, 2012, we conducted an information technology review of selected general and application controls for the Iowa Department of Workforce Development for the period April 16, 2012 through May 4, 2012. Our review focused on the general and application controls for the Iowa Department of Workforce Development's MyIowaUI and Unemployment Insurance Benefits systems 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 MyIowaUI and Unemployment Insurance Benefits systems. 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 Workforce Development, citizens of the State of Iowa and other parties to whom the Iowa Department of Workforce Development 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 Workforce Development during the course of our review. Should you have any 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 are listed on page 6 and they are available to discuss these matters with you.


MARY MOSIMAN, 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 16, 2012 through May 4, 2012

MyIowaUI and Unemployment Insurance Benefits Systems General and Application Controls

A. Background

The Iowa Department of Workforce Development's MyIowaUI system is used to manage the program and process the collection of employer unemployment insurance tax. The Unemployment Insurance Benefits system is used to process worker's claims for unemployment insurance benefits and adjustments.

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 Workforce Development's (Department) MyIowaUI and Unemployment Insurance Benefits systems for the period April 16 through May 4, 2012. Specifically, we reviewed the general controls: access controls and configuration management controls and the application controls: 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.

General Controls

No recommendations were noted in our review of general controls for the MyIowaUI and Unemployment Insurance Benefits systems.

April 16, 2012 through May 4, 2012

Application Controls

- (1) Monthly Employer Statements – The MyIowaUI system was moved into production in May of 2010. Since then, monthly employer statements have not been available. The system used before MyIowaUI provided employers with monthly account statements which allowed them to monitor their account balances.

Recommendation – The Department should take steps to restore the functionality which provided employers access to their monthly statements and current account balances.

Response - The development of this functionality is complete and currently being tested by the business unit. Any corrections to the system will be completed by June 30, 2013 and statements will be sent in late July so as not to interfere with the filing of the quarterly Contributions and Payroll Reports.

Conclusion – Response accepted.

- (2) Employer Reporting – The Department is required to annually perform a match of the IRS 940 file to certify individual taxpayer amounts. This process was not completed for calendar year 2010 due to system limitations. The response for calendar year 2010 was transmitted to the IRS on June 29, 2012.

Recommendation – The Department should take steps to restore the functionality to comply with the IRS 940 match requirement.

Response – The IRS 940 Certification file was processed in our electronic MyIowaUI (MIUI) system on April 15, 2013 for calendar 2011. This functionality has been developed to be able to run annually in MIUI going forward, typically late in October or early November. Currently, we have dedicated auditors working solely to complete as many cross match workflows as possible and accurately. We will be transmitting a file back to the IRS regarding our progress at the end of the fiscal year. However, that does not mean we won't continue with resolving the remaining workflows.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Workforce Development

April 16, 2012 through May 4, 2012

Staff:

Questions or requests for further assistance should be directed to:

Erwin L. Erickson, CPA, Director
Tiffany Ainger, CPA, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this review include:

Ryan Jelsma, Staff Auditor
Cory Lee, Staff Auditor