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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE February 12, 2016

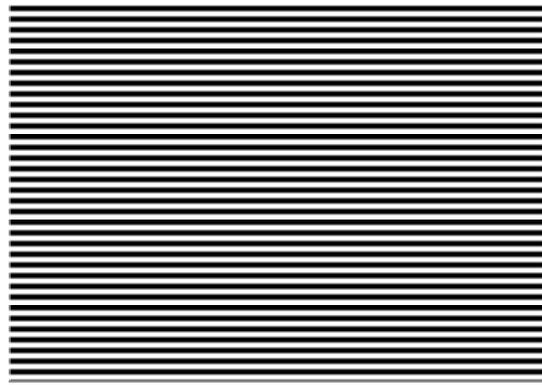
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Auditor of State Mary Mosiman today released a report on a review of selected general and application controls over the Iowa Public Employees' Retirement System (IPERS) I-QUE Pension Administration System for the period April 9, 2015 through May 7, 2015.

Mosiman recommended IPERS strengthen procedures to periodically review access rights and maintain authorizations for exceptions granted to standard roles. IPERS has responded positively to the recommendation.

A copy of the report is available for review at IPERS, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/1660-5530-BT01.pdf>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
ON A REVIEW OF SELECTED GENERAL AND
APPLICATION CONTROLS OVER THE I-QUE
PENSION ADMINISTRATION SYSTEM**

APRIL 9, 2015 to MAY 7, 2015

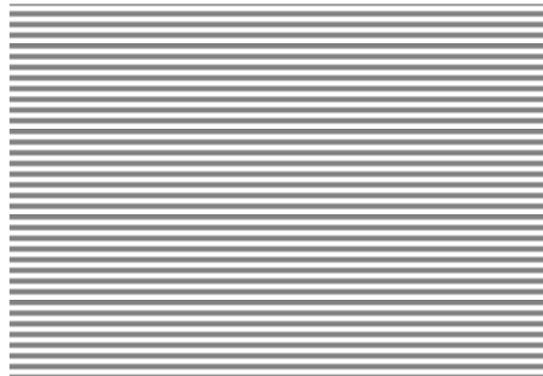
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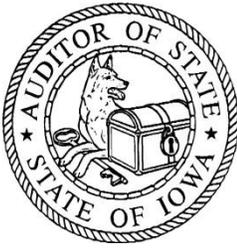
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February 2, 2016

To Donna Mueller, Chief Executive Officer of the
Iowa Public Employees' Retirement System:

In conjunction with our audit of the financial statements of the Iowa Public Employees' Retirement System (IPERS) for the year ended June 30, 2015, we conducted an information technology review of selected general and application controls for the period April 9, 2015 through May 7, 2015. Our review focused on the general and application controls for the I-QUE Pension Administration 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 an aspect concerning information technology controls for the I-QUE Pension Administration System for which we believe corrective action is necessary. As a result, we have developed a recommendation which is reported on the following pages. We believe you should be aware of this recommendation which pertains to IPERS' general and application controls over the I-QUE Pension Administration System. The recommendation has been discussed with IPERS personnel and their response to the recommendation is included in this report. While we have expressed our conclusion on IPERS' response, we did not audit IPERS' response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Public Employees' Retirement System, citizens of the State of Iowa and other parties to whom IPERS 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 IPERS 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 9, 2015 through May 7, 2015

I-Que Pension Administration System General and Application Controls

A. Background

The Iowa Public Employees' Retirement System (IPERS) I-QUE Pension Administration System is used to process employee and employer contributions, member benefits and adjustments. The first phase of I-QUE was rolled out in August 2008 to allow employers to report wages online, submit contribution payments and manage member and employer demographics. The second phase of I-QUE was implemented during fiscal year 2012 and is used to process retirement benefits and adjustments.

B. Scope and Methodology

In conjunction with our audit of the financial statements of IPERS, we reviewed selected aspects of the general and application controls in place over the I-QUE Pension Administration System for the period April 9 through May 7, 2015. Specifically, we reviewed the general controls: access controls, segregation of duties, contingency planning and security management. We also reviewed the application controls: business process controls, including input, processing and output and interface controls. We interviewed staff of IPERS and we reviewed IPERS' 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 IPERS operations within the scope of our review. We developed an understanding of IPERS' internal controls relevant to the operations included in the scope of our review. We believe our review provides a reasonable basis for our recommendation.

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 recommendation, along with IPERS' response, is detailed in the remainder of this report.

General Controls

Review of Access Rights and Exceptions - Access to the I-QUE system is determined based on employee roles and responsibilities. Access is granted based on an employee's role within IPERS. Employee roles are documented on a grid which shows the access each role has to various screens throughout the I-QUE Pension Administration System. Upon review of five employees' access to the system per the Security Access Grid, the following were noted:

One employee with access to the I-QUE system per the Security Access Grid did not appear to require access to complete their regular job duties.

Report of Recommendations to the Iowa Public Employees' Retirement System

April 9, 2015 through May 7, 2015

Certain employees had access to screens or modules within the system which were not necessary for them to complete their assigned job duties.

The security grid included access rights which were not accurate. In certain cases, the employee did not have access to the screens/modules documented on the Security Access Grid. In addition, certain employees reviewed had higher levels of access than indicated on the Security Access Grid.

The security grid documented access to certain screens which current personnel believed were no longer in use.

Exceptions to the standard roles are granted with permission from the employee's supervisor. For three of five individuals selected for testing, documentation for authorization of exceptions granted could not be located. It is also difficult to determine the relationship between the exception granted and the related screens/modules documented in the Security Access Grid.

Recommendation – IPERS should establish policies and procedures to require the performance and documentation of periodic reviews of access rights for systems processing financial transactions as well as systems containing sensitive or confidential information to ensure employees are granted access rights which are aligned with their assigned job duties. All exceptions to standard roles should be approved by the employee's supervisor and the authorization for the change should be retained. Exception authorizations should be sufficiently detailed to clearly indicate the nature of the exception granted and the related modules and screens affected in the Security Access Grid.

Response – IPERS created and implemented a procedure to require annual supervisory review of their direct reports' system access rights in May 2014. Since then IT staff have provided each supervisor with a detailed report of system access for each employee and asked the supervisor to confirm the system access is accurate or provide revisions as necessary. The procedure established is working as intended. The errors/inconsistencies noted during the audit are likely attributable to the challenges of supporting the current role-based security model in I-QUE version 8.3. IPERS is in the process of upgrading I-QUE to version 10 and will revisit the role-based security model as part of the upgrade project. In the interim, IPERS will not only review individual role assignments but will also evaluate to determine whether the role is relevant to current I-QUE operational practices.

IPERS current process for managing exceptions to standard roles is accomplished primarily using email which can create challenges when attempting to resurrect prior requests and supervisory approvals. IPERS will immediately start tracking system access requests and approvals in a request tracking system which will provide a more reliable and consistent means for tracking these types of requests.

IPERS will ensure a detailed explanation is provided prior to granting system access exceptions in I-QUE.

Conclusion – Response accepted.

Application Controls

No recommendations were noted in our review of application controls for the IPERS I-QUE Pension Administration System.

Report of Recommendations to the Iowa Public Employees' Retirement System

April 9, 2015 through May 7, 2015

Staff:

Questions or requests for further assistance should be directed to:

Erwin L. Erickson, CPA, Director
Lesley R. Geary, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this review include:

Jenna M. Paysen, Staff Auditor
Ryan P. Swanson, Staff Auditor