



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ August 14, 2006

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released a report on a review of selected general and application controls for the Iowa Department of Workforce Development's Unemployment Insurance System for the period May 1, 2006 through May 24, 2006.

Vaudt recommended the Department develop and implement procedures to strengthen its contingency plan.

A copy of the report is available for review at the Iowa Department of Workforce Development, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/reports.htm>.

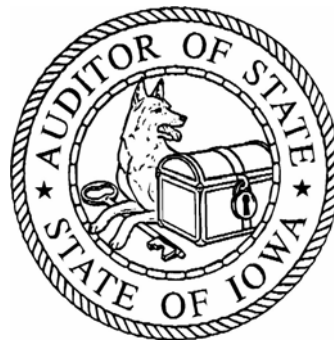
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**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF WORKFORCE DEVELOPMENT  
ON A REVIEW OF SELECTED GENERAL AND APPLICATION  
CONTROLS OVER THE UNEMPLOYMENT INSURANCE SYSTEM**

**MAY 1, 2006 TO MAY 24, 2006**

Office of  
**AUDITOR  
OF STATE**

State Capitol Building • Des Moines, Iowa



**David A. Vaudt, CPA**  
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June 22, 2006


To David Neil, Interim Director of the  
Iowa Department of Workforce Development:

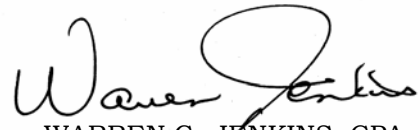
In conjunction with our audit of the financial statements of the State of Iowa for the year ending June 30, 2006, we conducted an information technology review of selected general and application controls for the Iowa Department of Workforce Development for the period May 1, 2006 through May 24, 2006. Our review focused on the general and application controls of the Iowa Department of Workforce Development's Unemployment Insurance 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 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 the Department's information system general and application controls. This recommendation has been discussed with Department personnel and their response to the recommendation is 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 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 the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our review of general and application controls 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 Thomas J. Vilsack, Governor  
Michael L. Tramontina, Director, Department of Management  
Dennis C. Prouty, Director, Legislative Services Agency

# Report of Recommendations to the Iowa Department of Workforce Development

May 1, 2006 through May 24, 2006

## **Unemployment Insurance System Controls**

### **A. Background**

The Iowa Department of Workforce Development's Unemployment Insurance System is used to process customers' claims and payments for Unemployment Insurance benefits.

### **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) Unemployment Insurance System for the period May 1 through May 24, 2006. Specifically, we reviewed the general controls: security controls, access controls, and service continuity; and the application control: input. 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 control 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 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 the Department's response, are detailed in the remainder of this report.

#### **General Controls**

- (1) Contingency Plan – Losing the capacity to process, retrieve and protect information maintained electronically can significantly affect a Department's ability to accomplish its mission. A contingency plan would include: (1) procedures to protect information resources and minimize the risk of unplanned interruptions and (2) a plan to recover critical operations should interruptions occur.

The Department's contingency plan does not include formalized arrangements for alternate data processing and telecommunication services that would be available and operational in the event of a disaster and the Department does not periodically test the contingency plan.

Recommendation – The Department should negotiate agreements to ensure alternate data processing facilities and telecommunication services would be available and operational in the event of a disaster and should periodically test the contingency plan.

Report of Recommendations to the Iowa Department of Workforce Development

May 1, 2006 through May 24, 2006

Response – Iowa Workforce Development (IWD) is working with DAS/ICN to formalize arrangements for alternate data processing facilities and telecommunication services. As part of the Enterprise Business Continuity Planning Process, IWD will be formalizing a periodic testing process of the contingency plan.

Conclusion – Response accepted.

**Application Controls**

No recommendations were noted in our review of application controls for the Department's Unemployment Insurance System.

Report of Recommendations to the Iowa Department of Workforce Development

May 1, 2006 through May 24, 2006

**Staff:**

Questions or requests for further assistance should be directed to:

Erwin L. Erickson, CPA, Director  
Brad T. Holtan, Senior Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this review include:

Michael J. Hackett, Assistant Auditor