

LEGISLATIVE AUDIT DIVISION

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MEMORANDUM

TO: Legislative Audit Committee Members
FROM: Kent Rice, Audit Manager
Information Systems Audits
DATE: December 2008
CC: Keith Kelly, Commissioner, Montana Department of Labor and Industry
RE: Information Systems Audit Follow-up 09SP-08: Unemployment Insurance Tax System,
Montana Department of Labor and Industry (orig. 07DP-03)

INTRODUCTION

In November 2007, we presented our information systems audit of the Unemployment Insurance Tax System maintained by the Unemployment Insurance Division (division) in the Montana Department of Labor and Industry (DLI). The audit presented one two-part recommendation to DLI regarding access to the Unemployment Insurance Tax System (UIT). In October 2008, we began gathering information from DLI on progress toward implementing the recommendation. This memo summarizes the results of our follow-up work and the implementation status of each recommendation.

BACKGROUND

Unemployment Insurance is a federal and state funded insurance program designed to provide temporary benefits to eligible individuals. The division maintains and operates the UIT System to assist in the administration of Montana employer's unemployment insurance tax records and premiums.

Since unemployment insurance taxes are the primary source of benefits paid out to Montana's unemployed and due to the reliance the division has on the UIT System, we conducted an audit of the system, policies, and procedures in place regarding access to the system, and enhancements made to the system.

FOLLOW-UP DISCUSSION

The Information Systems Audit report presented one two-part recommendation. The recommendation addressed user access to the system.

System Access

UIT access is controlled through a procedure requiring a system access form be filled out and approved by a supervisor. This allows DLI to limit who can view and change data and provides a method of tracking who made changes to what. System access must also be reviewed periodically to ensure access for employees who have left or changed positions has been removed or modified as needed. This review of access to UIT is where we identified concerns.

Recommendation #1**We recommend the department:**

- A. Develop review procedures to identify and remove inappropriate access to the Unemployment Insurance Tax System.**
- B. Remove the reconciliation component of the Unemployment Insurance Tax System.**

A. Implementation Status: Implemented

The department has developed and implemented standardized procedures for identifying and removing inappropriate access to the Unemployment Insurance Tax System. We reviewed the procedures DLI developed and implemented, as well as reviewed user access, and found the procedures are effective in identifying and removing inappropriate access.

B. Implementation Status - Being Implemented

A reconciliation component was added to the UIT system when the data was being moved from a system at the Department of Revenue to the UIT system at DLI. The component was added to provide DLI the ability to manually modify an employer's unemployment insurance tax amount in case the amount was inadvertently affected during data transfer. There were no issues with data transfer and the component was not used. However, only data pertaining to active employers was transferred. In Montana, inactive employers have five years to become active again and still use their old employer data in calculating their unemployment insurance tax amount. Therefore, there may be a future need to transfer more data from the old system. As a result, DLI still requires the ability to manually modify an employer's unemployment insurance tax amount if needed. DLI has committed to removing the reconciliation component after the statute of limitations has passed for reactivating accounts with inactivation dates prior to 2005. Thus, the removal of the reconciliation component will be done in 2010. In the meantime, the department has removed all access to the component; therefore, staff do not have update capabilities related to the reconciliation component.