



Bill Perrone, CIA
Internal Audit Manager

August 3, 2009

Assignment 10225

To: Distribution List

Subject: Internal Audit Report – Workers Compensation iVOS System Audit

We have completed an audit of the iVOS system in Workers Compensation Division, Risk Management Department, Employee Services Agency. The iVOS system is used to process claims and feeds to the SAP system, the central accounting system in the County. We conducted the audit from March to July 2009.

We thank the staff and management in Workers Compensation, particularly the IT support staff. Their assistance and cooperation contributed to the timely and successful completion of the audit.

Respectfully submitted,

Signature on file

Bill Perrone, CIA
Internal Audit Manager

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COUNTY OF SANTA CLARA

CONTROLLER-TREASURER DEPARTMENT - INTERNAL AUDIT DIVISION

INTERNAL AUDIT REPORT

Workers Compensation iVOS System Audit



Assignment 10225
August 3, 2009

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Executive Summary

Conclusion Based on the results of the audit, the control environment and the iVOS system of internal controls on access, security and support are adequate. Regarding system recovery and change control, there are two items mentioned below.

We noted two areas for improvements and made recommendations to reduce risk to the Division and strengthen controls. The Continuity Of Operation Plan (COOP) to recover the iVOS system in a disaster has never been tested. Its effectiveness is uncertain. Requests for changes from users were not documented. The process was informal.

Workers Compensation is in agreement with the findings and recommendations contained in this report.

Audit Objective The objective was to evaluate the controls of access, security, support and recovery of the iVOS system in Workers Compensation Division.

Audit Scope The scope included:

- Reviewing policies and procedures for the process governing access to the iVOS system
- Evaluating authorization, approval and processing of access requests and user changes
- Verifying adequacy of iVOS system support and maintenance
- Evaluating the recovery of the iVOS system to sustain continuity of business operation

Audit Background We conducted the audit based on the results of our FY 07 Macro Risk Assessment. Workers Compensation Division is a mandated and essential service in the Continuity Of Operation Plan. This iVOS system supports operations in the division. There has been no prior audit since the implementation of this system. We conducted the audit in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors.

Details of the findings and recommendations are provided below.

Signature on file

Bill Perrone, CIA
Internal Audit Manager

Findings and Recommendations

Finding 1 **The recovery plan for the iVOS system has not been established in accordance with procedures and has never been tested.**

The plan calls for regular testing. The plan has never been tested.

The plan also calls for maintaining alternate work sites to ensure availability. We found alternate site one (70 Hedding) has not been set up. Alternate site two (2314 North First Street) does not meet requirements. Requirements include power, telecom and internet grids should be distinct from the primary site (2310 North First where Workers Compensation Division is located). However, alternate site two is right next door, using the same power and telecom grid. It is prone to the same risks as the primary site.

The plan requires pre-positioning records, files and databases at alternate sites. Since no alternate sites are set up, pre-positioning is not possible.

There is no MOU/MOA in place with alternate sites. It is required in the plan. Therefore, it is uncertain whether these sites are obligated to act as such or are aware of their responsibilities.

As a result, it is questionable that the plan can achieve its stated objective of "resuming essential functions within 12 hours of an emergency, with or without advance warning, and to sustain continuous operations for the entire cycle of the incident." Workers Compensation is designated as a mandated and essential service.

Recommendation 1 We recommend that Workers' Compensation updates the recovery plan and conducts the test. A document should be prepared and signed with management of the alternate sites. This document will formalize the understanding, listing needed resources, responsibilities of both parties and capacity made available to Workers Compensation, during the recovery. This allows pre-positioning of critical records and databases. (Priority 1)

Client's Response to Recommendation 1

The Workers Compensation division has always had a system of daily and weekly back-ups to ensure that no data is lost. In addition, we have always maintained separate back-up servers to create redundancy.

The recovery plan cited in this report calls for maintaining alternate work sites. As part of ESA's Disaster Preparedness activities, we have just identified an alternate work site (70 W. Hedding, 8th floor) and have been in discussions with the Information Systems Department (ISD) about the best options available to provide systems redundancy, either at the Hedding offices or remotely from the ISD work site. Once a decision has been made, we will test the recovery plan at least annually.

Finding 2 Procedures to manage iVOS system change request have not been documented.

Users within Workers Compensation can request changes to the Workers Compensation iVOS system via e-mail. It goes to the manager of the division, who forwards it to the IT manager for execution. The IT manager will not make any change without the e-mail from the division manager. When the change is made, tested and ready for production, the IT manager notifies the parties via e-mail.

This process is the traditional practice, lacking the assurance and authority of written policy and procedures. It has not been documented in the 031 Workers Compensation Procedures Manual.

Recommendation 2 We recommend developing the written procedures to formalize the process of requesting change to the iVOS system. Written documentation of a process is a control activity. It ensures that each change request is reviewed, authorized, executed and tested and meet users' requirements. It should detail in writing the responsibilities of the initial requestor, the reviewer/approver of the request, the testing with the user, if applicable, and the final user acceptance of the changes, before they are committed to production. (Priority 3)

Client's Response to Recommendation 2

At the time the audit was conducted, an informal procedure to manage systems changes was in place. When a user requested a modification, it was reviewed by the program manager, and whenever there was a fiscal impact, by the Division Manager as well. Since then, a formal written procedure for initiating change requests to the iVOS system has been instituted. A new online User Request Form has now been created and will serve as a tracking tool for all changes made to the system. This information will be added to the Workers' Compensation Procedures manual.

County of Santa Clara

Employee Services Agency

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July 27, 2009

TO: Bill Perrone, CIA, Internal Audit Manager
FROM: Thelma Raby, Workers' Compensation Division Manager
RE: Internal Audit Report-Workers' Compensation iVOS System Audit

TR/LM

This following is ESA/Workers Compensation's response to the two findings contained in the Internal Audit Report, dated July 21, 2009. While we are in agreement with Internal Audit's recommendations for ensuring that the Workers Compensation system functions in a secure environment, we also believe that we have consistently complied with the County's information technology security plan, and have implemented best practices wherever possible.

I. Finding 1 The recovery plan for the iVOS system has not been established in accordance with procedures and has never been tested.

Response to Recommendation 1

The Workers Compensation division has always had a system of daily and weekly back-ups to ensure that no data is lost. In addition, we have always maintained separate back-up servers to create redundancy.

The recovery plan cited in this report calls for maintaining alternate work sites. As part of ESA's Disaster Preparedness activities, we have just identified an alternate work site (70 W. Hedding, 8th floor) and have been in discussions with the Information Systems Department (ISD) about the best options available to provide systems redundancy, either at the Hedding offices or remotely from the ISD work site. Once a decision has been made, we will test the recovery plan at least annually.

II. Finding 2 Procedures to manage iVOS system change request have not been documented

Response to Recommendation 2

At the time the audit was conducted, an informal procedure to manage systems changes was in place. When a user requested a modification, it was reviewed by the program manager, and whenever there was a fiscal impact, by the Division Manager as well. Since then, a formal written procedure for initiating change requests to the iVOS system has been instituted. A new online User Request Form has now been created and will serve as a tracking tool for all changes made to the system. This information will be added to the Workers' Compensation Procedures manual.