

Review: 4385
Statewide Single Audit
Year Ended June 30, 2011
Department of Employment Security

FINDINGS/RECOMMENDATIONS – 7
Repeated – 5

Accepted – 3
Implemented – 4

11-64. The auditors recommend IDES follow established procedures to verify claimant social security numbers to prevent payment of benefits to ineligible claimants. (Repeated-2009)

Findings: IDES did not verify social security numbers with the U.S. Social Security Administration for new Unemployment Insurance (UI) program claimants.

With the implementation of the Illinois Benefit Information System (IBIS) in August 2010, IDES planned to automate its process for verifying social security numbers by performing a system cross-match between IBIS and the U.S. Social Security Administration; however, the interface between IBIS and the Social Security Administration was not operating as expected during fiscal year 2011. As a result, social security numbers were not verified by IDES for new claimants during the period from August 27, 2010 through May 24, 2011.

In discussing these conditions with IDES officials, they stated that the upgrade to real-time SSN validation took longer to implement than anticipated.

Updated Response: Implemented. IDES has Policy and Procedure (P&P) 5085.10 in place regarding the verification of claimant social security numbers. The batch process to verify new claimant's social security numbers for our Unemployment Insurance system, IBIS, was reinstituted on May 24, 2011. In December of 2012, IDES began real-time social security number verification with the Social Security Administration. This brought IDES in full compliance with P&P 5085.10.

11-65. The auditors recommend IDES follow established procedures to ensure all eligibility determinations are made within the prescribed timeframes. (Repeated-2008)

Findings: IDES is not issuing eligibility determinations for individuals applying for Unemployment Insurance (UI) benefits in accordance with timeframes required by the State Plan.

During testwork auditors conducted unannounced site visits to three local offices and requested the most recent pending issues detail report as of the date of the visit. Auditors

noted a significant backlog in the resolution status of claims in the adjudication process. Specifically, 104 out of 2,605 claims at the three local offices were outstanding for time periods ranging from 22 to 330 days of the detection date.

Additionally, during the review of FY12 State Quality Service Plan (Plan) submitted by IDES to the USDOL, IDES did not meet the acceptable level of performance for issuing eligibility determinations on certain disqualifying issues as defined by the USDOL (non-monetary issues) for the federal fiscal year 2011, resolving only 70.2% of these determinations within 21 days of the detection date.

In discussing these conditions with IDES officials, they stated an increased workload due to the prolonged recession has had a significant impact on timeliness.

Updated Response: Accepted. Through load-balancing and revised operations procedures, the determination completion timeframes significantly improved in FY 2012, with nonmonetary determination timeliness of 84% exceeding the ETA requirement of 80%. However, recent quarters show a decline in part due to staff reductions.

11-66. The auditors recommend IDES implement procedures to ensure policies and procedures are adequately documented and followed. In addition, auditors recommend IDES segregate the duties for developing and migrating program changes and perform user access reviews for IBIS and the data center.

Findings: IDES does not have adequate documentation of the performance of access, program change, and computer operation controls over the information systems that support the Unemployment Insurance (UI) Program.

During testwork over the access, program change and development, and computer operations controls of the mainframe system, auditors noted the following:

- Certain individuals have the ability to modify production code and data, as well as the ability to migrate changes into production. As a result, these individuals may introduce unintentional changes into production that may not be detected.
- Documentation evidencing approval of five changes migrated from production could not be located for testwork.
- Of 15 new users selected for testwork, IDES could not locate the UserID request form for one user. This user's signature evidences the user's understanding of and agreement to follow IDES' policies relative to computer data, resource usage, passwords, and confidentiality.
- IBIS user account privileges and profiles were not reviewed on a semi-annual basis to confirm the appropriateness of user access.
- Formal policies and procedures related to change management have not been developed for IBIS.

- Formal policies and procedures have not been developed to ensure the Security Administrator is informed of terminations or transfers to ensure access to the data center is revoked in a timely manner. Additionally, a review of data center access rights was not performed by IDES during the year ended June 30, 2011 and procedures have not been implemented to communicate employee terminations and transfers to the Security Administrator. Upon further review of users with access to the data center, access for 23 of the 81 users was inappropriate.
- Data recovery testing was not performed during the year ended June 30, 2011.

In discussing these conditions with IDES officials, they stated several policies and procedures are currently in place to ensure proper documentation of controls of Information Systems, although some are still in process of development. If documentation was missing there is a possibility it was properly collected and simply misfiled. In addition, the implementation of IBIS impacted the timing of some routine reviews and testing.

Updated Response: Accepted. Bullet 1: We are currently working to reorganize the Technical Services and Support (TS&S) group in ISB who have access to the production environment. As part of this reorganization, we plan to separate work duties so staff who access the development environment to pick-up and merge code are not the same staff who will be responsible for migrating this code to production. By separating this work, we will ensure that no one member of the TS&S team has access to both our development and production environments.

Bullet 2: The documentation for the five changes was provided to the auditors but not accepted by them.

Bullet 3: IDES will update our policy to clarify that unsigned RACF UserID requests will not be processed but instead returned to the cost center manager.

Bullet 4: RACF access rights for all IDES staff to access IBIS on and after the August 30, 2010 IBIS launch date were reviewed and modified in order to adhere to the security model developed for IBIS. These changes were finalized and implemented between July 1, 2010 and August 30, 2010, when the security tables were frozen as part of the implementation plan. Because IBIS users accounted for over 70% of RACF accounts at IDES, and as a review of these accounts had just been conducted in conjunction with the IBIS launch, the decision was made not to conduct the semi-annual review of RACF access during the first half of fiscal year 2011 as it would have been redundant. The second half review was conducted in March 2011.

Bullet 5: ISB's new Quality Assurance unit is in the process of developing change management processes for all Information Technology initiatives. These processes will be implemented for changes to all current IT systems and new system implementations. Once this policy is formalized, IDES Policy and Procedures will be properly updated to reflect these new requirements.

Bullet 6: Policy and Procedure Section 4004, Information Technology Security, has been modified to require Human Resource Management to notify ISB's Technical Services and Security unit to deactivate security badges for individual that have been terminated. The P&P will also be modified to specify that a review of data center access rights be performed and documented on an annual basis. However, IDES completed a review of data center access rights in April of 2012 and access has now been limited to 59 individuals down from 73.

Bullet 7: IDES is currently working with the Department of Central Management Services to build out a warm alternate disaster recovery site at the State's alternate data center. We have been working with CMS on this project for several years. According to CMS leadership, CMS has been experiencing delays in procuring the necessary hardware to stand-up our alternate data center environment. In the fall of 2012, IDES conducted a successful data recovery test in the new alternate disaster recover Site. CMS is working to procure the mid-range servers necessary to conduct a full disaster recovery test of the IBIS application. As soon as the environment is available at CMS' alternate data center, IDES will request to resume our annual Disaster Recovery testing.

11-67. The auditors recommend IDES ensure adequate documentation evidencing the performance of system implementation controls are maintained.

Findings: IDES does not have adequate documentation evidencing the performance of certain controls over its implementation of the Illinois Benefits Information System (IBIS) for the Unemployment Insurance (UI) program.

In August 2010, IDES implemented IBIS, a new information system designed to perform and document claimant eligibility determinations, process claims for unemployment insurance benefits, and assist IDES in complying with the requirements of the UI Act rules, policies, and procedures applicable to the UI benefits. During testwork over the program development controls relative to the IBIS implementation, auditors noted the following exceptions:

- Documentation evidencing access rights granted to IBIS users were reviewed and approved by IDES management was dated after the IBIS system went live; however, management indicated access reviews were performed prior to the IBIS system go live date. Accordingly, the consideration of whether duties were appropriately segregated relative to the compliance requirements managed by the IBIS system was not documented prior to rolling out the system.
- Documentation supporting user testing could not be provided for five of 25 user test scripts sampled.

In discussing these conditions with IDES officials, they stated that in the push for a timely implementation of IBIS, some decisions were not as thoroughly documented as they could have been.

Updated Response: Implemented. During the past year, IDES created a new Quality Assurance (QA) unit in ISD by hiring of Business Architect, two Senior Quality Assurance Analysts, two UI Benefits System Business Analysts, a Revenue Systems Analyst, and a new UI Support Systems Subject Matter Expert team to monitor and approve the implementation of IT systems. Currently all changes to current system and system implementation require documentation of the change, approval of requirements, approval of design, testing approval and sign-off to implement. Once this policy is officially formalized, IDES Policy and Procedures will be properly updated to reflect these new requirements.

11-68. The auditors recommend IDES complete and document the resolution of each claim in a timely manner on the exception and monitoring reports (including supervisory review), and retain the reports as considered necessary to facilitate completion of the audit. (Repeated-2005)

Findings: The IDES local offices did not clearly document the resolution of the issues identified on the claim exception and monitoring reports, and the reports did not always indicate that a supervisory review had been performed.

During testwork auditors noted policies and procedures had not been established relative to the review process and retention time period for these five reports. IDES only retains claim exception and monitoring reports for a period of three months after the end of a quarter.

Auditors conducted unannounced site visits to three local offices and requested the above claim exception and monitoring reports for the most recent date that had been reviewed by the local office staff. Auditors reviewed a total of 18 reports and noted that resolution of exceptions and supervisory review was not consistently documented. Specifically:

- Five claim and exception monitoring reports did not contain evidence of being worked by the local office staff within three days.
- Eight claim exception monitoring reports (including the five identified in the previous bullet) did not contain evidence of supervisory review.

Additionally, during on-site reviews, auditors noted IDES only retains claim exception and monitoring reports for a period of three months after the end of a quarter. As such, auditors were unable to determine whether claim exception and monitoring reports had been worked within three business days or subject to supervisory reviews prior to April 1, 2011.

In discussing these conditions with IDES officials, they stated the procedures require the reports be reviewed, but do not specify how to document the review or that they be retained.

Updated Response: Accepted. On February 3, 2012, regional management staff were reminded that the above mentioned reports must be printed and worked daily and

reviewed by a supervisor and that the signed copies must be retained. We are currently revising procedures to ensure clarity on how to document that the review has occurred and how to retain these documents for future review. With the launch of the new benefit system, some of these reports can be discontinued or modified. The remainder will be converted to automated tasks in the future.

11-69. The auditors recommend IDES continue working with USDOL to perform out-of-state wage verifications at the beginning of the initial Emergency Unemployment Compensation (EUC08) and extended benefit periods, and at the end of each quarter to determine if UI eligibility could be established in another state. (Repeated-2009)

Findings: IDES did not perform all required out-of-state wages verification procedures for Emergency Unemployment Compensation (EUC08) beneficiaries, which provides up to 33 weeks of benefits to claimants who have exhausted their benefit rights to regular unemployment compensation under the applicable state law with respect to the applicable benefit year. The benefit year is the one year period beginning with the Sunday of the week in which the worker first files a valid claim for benefits.

A claimant eligible for regular UI benefits in another state is considered to have established a new benefit year and has not exhausted all rights to regular benefits and, therefore, is not eligible for EUC08 benefits.

Auditors noted IDES does not examine out-of-state wages at the beginning of the initial EUC08 and initial extended benefit claim or at the end of each quarter to determine if UI eligibility could be established in another state. IDES procedures for verifying whether a claimant has exhausted all rights to regular benefits only include examining out-of-state wages each time a claimant establishes new benefit year.

In discussing these conditions with IDES officials, they stated that a viable option to implement out of state wage verifications remains elusive.

Updated Response: Implemented. IDES implemented the SIDI system on April 23, 2012. Detailed procedures addressing checking wages in other states on EUC claims have been completed and communicated to the local offices.

11-70. The auditors recommend IDES follow established procedures to ensure the information technology systems are properly configured to offset overpayments in accordance with the federal regulations. (Repeated-2009)

Findings: IDES has not configured its information technology systems to properly offset overpayments related to the Federal Additional Compensation (FAC) program, which were established by the American Recovery and Reinvestment Act and administered as a part of the Unemployment Insurance (UI) Program.

The FAC program provides a \$25 weekly supplement to the unemployment compensation of eligible claimants, and is 100% funded from Federal general revenues. FAC overpayments may only be offset by FAC payments. Other federally funded benefits, such as EUC08 benefits, can also be used to offset FAC overpayments.

In discussing these conditions with IDES officials, they stated that resources had been diverted to performing tasks related to the implementation of the new benefit system, IBIS.

Response: Implemented. On August 30, 2010, two months into the fiscal year 2011 audit finding period, IDES launched our new Unemployment Insurance system, IBIS. Upon the launch of IBIS, all FAC overpayments were being offset by FAC payments and IDES was in compliance with the recommendation. Additionally, it is worth noting that the FAC program expired on December 11, 2010 and therefore this issue no longer exists.