STATE OF MICHIGAN

DEPARTMENT OF INFORMATION TECHNOLOGY

LANSING

JENNIFER M. GRANHOLM
GOVERNOR

KENNETH D. THEIS
DIRECTOR

March 12, 2008

Mr. Michael J. Moody, Director
Office of Financial Management
Department of Management and Budget
George W. Romney Building
111 South Capitol Avenue
Lansing, Michigan 48923

Dear Mr. Moody:

The following are the Department of Information Technology's final responses to the
recommendations contained in the report of the Auditor General's performance audit of Data Center
Operations (DCO), Michigan Department of Information Technology (MDIT).

1. Risk Assessments

    MDIT agrees with the recommendation. In addition to the risk assessments performed on
    the Hosting Centers in 2004, three comprehensive physical security risk assessments were
    performed in 2003 and 2005 by the Department of Management and Budget in response to
    the Continuity of Government project for our Hosting Centers. Several external security risk
    assessments were also performed during the audit timeframe by several other companies,
    i.e.: Tetratech, Mantech, the State of Ohio, the federal Social Security Administration, and
    Medicaid Federal Auditors. The positions and individuals responsible for performing risk
    assessments were lost during the 2001 early retirement. At that time, MDIT was prevented
    from replacing any retirees. Positions within the Office of Enterprise Security (OES) have
    since been re-established and filled. A plan has been developed by OES to complete future
    internal risk assessments. Internal risk assessments are expected to be completed by
    October 2008. DCO will initiate a process to have external risk assessments performed
    every two years beginning in 2008.

2. Service Level Agreements

    MDIT agrees with the finding. Service level agreements (SLAs) have been updated and
    improved since the audit took place as part of the ongoing Strategic Management Team
    (SMT) SLA initiative. New project reporting requirements and analysis tools have been
    implemented that provide management and clients with value-added metrics. The
    recommendations made by the OAG will be included as enhancements to the FY08 service
    level agreements.

3. Strategic and Operational Planning

    MDIT agrees that a tighter focus on infrastructure planning could add tremendous value to
    our current process. Currently, MDIT's Strategic Management Team annually reviews and
    approves the hosting center budget, proposed initiatives and goals for alignment with the
    department's strategic plan, and the governor's cabinet action plan. Associated capital
    outlay requests are also analyzed as part of this process. Project plans are developed and
    implementation is closely monitored by the SMT each and every week. Development of a

draft strategic plan was started in December 2007. MDIT will document the results of this planning process by September 2008 with the development of an Infrastructure Services strategic plan.

4. Housing Center Alternatives

MDIT agrees with the finding. While MDIT has completed comprehensive ROI analysis for current consolidation activities, it continues to plan and analyze financial implications for future data center initiatives. As initial funding is approved, the in-depth study will include detailed planning, ROI, and cost benefit analysis. This planning process is expected to take 6-9 months to complete once the funding is approved by the State Budget Office.

5. Bull Mainframe Security

MDIT agrees with the finding and has fully implemented the recommended corrective actions. The positions and individuals responsible for performing security oversight were lost through the 2001 early retirement. At that time, MDIT was prevented by the previous administration to replace any retirees. Oversight positions within OES have since been re-established and filled. As a result, the department has fully implemented Bull Mainframe security enhancements to ensure compliance with the audit's recommendations, as of December 31, 2007.

6. Disaster Recovery Plan

MDIT agrees with the recommendation. As part of its existing Hosting Center processes, MDIT regularly performs, maintains and updates several of the disaster recovery functions listed, including:

- A comprehensive inventory of all computer hardware, software, and support equipment in the Configuration Management Data Base
- Vendor call and escalation lists
- Emergency call lists for management and recovery teams
- Equipment room grid diagrams
- Copies of contracts and maintenance agreements
- Processes for restoring or replacing support systems (power, air conditioning, uninterruptible power supply)
- Generator power backup for all 3 hosting centers

MDIT is continuing to expand recovery team duties and responsibilities to include all critical systems through its Disaster Recovery Project. As defined by the National Institute of Standards and Technology, MDIT is developing a Continuity of Operations Plan (COOP) and has begun work with agencies to identify and assess the states top 35 critical applications. Lastly, MDIT will continue to work with DMB in completing procedures for securing a damaged site and will take the above information and create a Disaster Recovery Plan for the Hosting Centers by the end of September 2008.

7. Policies and Procedures

MDIT agrees with the finding and has begun updating the appropriate Administrative Guide policies and procedures. MDIT expects to publish updated policies and procedures by June 2008.

8. Data Exchange Gateway Security

MDIT agrees with the finding. The positions and individuals responsible for performing security oversight were lost through the 2001 early retirement. At that time, MDIT was prevented by the previous administration to replace any retirees. Oversight positions have since been re-established and filled. As of December 31, 2007, MDIT has implemented a number of important security enhancements to the Data Exchange Gateway (DEG). MDIT will continue to implement additional security enhancements to fully comply with the audit's recommendations will be implemented by September 30, 2008.

Enclosed is Exhibit A which summarizes the citations which we agree with and are working towards compliance. If you have any questions concerning these responses, please contact Fran Wresinski, Michigan Department of Information Technology, at 241-9810.

Sincerely,

Signature Redacted

Palmer Giron, Director
Office of Employee and Financial Services

c: Nate Lake
   Sarah Garcia
   Pearl Dekker
   Senator Ron Jelinek
   Representative George Cushingberry
   Gary S. Olson
   Mitchell E. Bean
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   Ken Theis
   Lynn Draschil
   Pat Hale
   Jim Hogan
   Steven Baker
   Debra Patterson
   Fran Wresinski
   Kurt Weiss
   Richard Lowe
   John Juarez

EXHIBIT A
Performance Audit of Data Center Operations

Department of Information Technology

Audit Response Summary

Period Covered: March 2004 through January 2007

Citations complied with:
Citation #5 – Bull Mainframe Security

Citations the agency agrees with and will comply with:
Citation #1, 2, 3, 4, 6, 7, 8

Citations the agency disagrees with:
None