RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TALENT AND ECONOMIC DEVELOPMENT
LANSING

STEVE ARWOOD
DIRECTOR

June 17, 2016

Mr. Jeffrey S. Bankowski, Chief Internal Auditor
Office of Internal Audit Services
State Budget Office
George W. Romney Building – Sixth Floor
111 S. Capitol, P.O. Box 30026
Lansing, Michigan 48909

Subject: Final Agency Response for OAG Performance Audit of MiDAS System

Dear Mr. Bankowski:

In accordance with the State of Michigan Financial Management Guide, Part VII, attached is our Final Agency Response including corrective action plans to address recommendations contained within the Office of the Auditor General's Performance Audit of Michigan Integrated Data Automated System (MiDAS) for the Unemployment Insurance Agency (UIA), Talent Investment Agency (TIA), Department of Talent and Economic Development (TED), and also the Michigan Department of Technology, Management, and Budget (DTMB). This audit covered the period October 1, 2013 through July 31, 2015.

If you have any questions regarding this report, please feel free to contact Allen Williams at (517) 335-9247 or williamsa6@michigan.gov .

Sincerely,

Signature Redacted

Stephanie Comai, Director
Talent Investment Agency

Enclosure

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AUDIT RESPONSE SUMMARY

Performance Audit of Michigan Integrated Data Automated System (MiDAS) for the Unemployment Insurance Agency (UIA), Talent Investment Agency (TIA), Department of Talent and Economic Development (TED), and the Department of Technology, Management, and Budget (DTMB)
October 1, 2013 through July 31, 2015

I. Citations complied with:

#1.
#3.
#6.
#7.

II. Citations to be complied with:

#2. The estimated date for the initiation of the proposed project is June 30, 2016.

#4. The estimated date of full compliance is July 31, 2016

#5. The estimated date of full compliance is July 31, 2016

#8. Partially implemented. UIA is continuing to explore opportunities to improve efficiency so an exact date of compliance is currently N/A.

III. Citations agency disagrees with:

None

Performance Audit of Michigan Integrated Data Automated System (MiDAS) for the Unemployment Insurance Agency (UIA), Talent Investment Agency (TIA), Department of Talent and Economic Development (TED), and the Department of Technology, Management, and Budget (DTMB)
October 1, 2013 through July 31, 2015

FINDING #1 – MiDAS Security Management Program Needs to be Enhanced

We recommend that the Division define management roles and give (or take away) functions or users as appropriate.

Final Response:

UIA agrees and has complied.

UIA has defined management roles in the security process, and created a security review role, the Data Security Steward, who is compiling the catalog of users, documenting the appropriateness of access to functions and reviewing removal of functions or users as appropriate.

Further, this new position is managing the implementation of an agency-wide, systematic data governance training process (the first of which occurred in 2015). All employees have attended a training session on DTMB and UIA Data Governance and the DTMB and UIA will give this training again in the summer of 2016, appropriately updating the material for newly discovered information.

FINDING #2 – Improvements Needed to Operating System Security and Access Controls

We recommend that the Division update its automation tools in order to strengthen the auditing operating system security and access controls and help determine errors in the system.

Final Response:

DTMB agrees with the recommendation and will comply.

DTMB has initiated a project to implement the purchased automation tools that are necessary to assist in rapidly deploying, maintaining and auditing operating system security and access controls. The automated configuration management tools will also assist in preventing changes from the required minimal service configurations and deviations from the approved operating system configuration settings. The tools will also assist in deploying operating system patches and providing reports to help determine what patches are missing. In addition, DTMB has patched the MiDAS servers and has created an operations compliance report, which will be run weekly and will be provided to DTMB and UIA management. Updated procedures will include

requiring the server team managers and server administrators to review monitoring reports periodically. DTMB will achieve compliance with the recommendation by June 30, 2016.

FINDING #3 – Access to the MiDAS Application Should be Better Controlled

We recommend that the Division constantly monitor employee's online activity and disable all inactive accounts.

Final Response:

UIA agrees and has complied.

The UIA has implemented strict controls to continually find and disable inactive accounts, using the 120 day rule. The UIA has filled the role of Data Security Steward and that person conducts a review of user access as a part of the new data security role, as well as a periodic review of access and recorded activity.

FINDING #4 – Security Improvements Needed to the MiDAS Database

We recommend that the Division fill the database administrator position as well as establish monthly reviews of security updates and vendor logs.

Final Response:

DTMB agrees with the recommendation and will comply.

DTMB is working to fill the DBA position which supports the MiDAS environment. In addition, DTMB support staff working with UIA, including UIA's Security Officer, has established monthly reviews of security updates and access log reviews with the vendor. The departments' will achieve compliance with the recommendation by July 31, 2016.

FINDING #5 – Automated Controls Needed to Identify Claimants who Have not Submitted Evidence of Work Searches

We recommend that the agency perform more work search audits so that they will be in full compliance with the law come audit time.

Final Response:

UIA agrees with the recommendation and will comply.

Because UIA engages in "random audits", UIA submits that it is in compliance with the following state law provision: "[t]he work search conducted by the claimant is subject to random audit by the Unemployment agency." MES Act, Section 28(7).

However, in view of the finding, the agency intends to increase the rate of work search audits. UIA will achieve compliance with the recommendation by July 31, 2016.

FINDING #6 – Additional Data Analysis will Help Detect Payments Needing Further Review

We recommend that the Division establish meetings to review MiDAS data in order to ensure proper benefit payments and prevent fraud across different departments.

Final Response:

DTMB agrees and has complied.

DTMB will continue to work with UIA to fully analyze and review MiDAS data to help identify unemployment insurance benefit payments needing further review. The departments have established quarterly meetings to analyze and review MiDAS data. Ad-hoc reports are also available for review by UIA.

In addition, the departments have implemented a quarterly crossmatch/reconciliation with the Department of Corrections that will assist UIA's fraud investigation unit. Lastly, all of the items noted in OAG findings were investigated by UIA and found to have no merit.

FINDING #7 – Changes Needed to Improve the Appeals Process

We recommend that the Division work with other agencies to review potential upgrades to the IT system.

Final Response:

UIA agrees and has complied.

UIA has implemented a series of changes to support this process, including a Control Report created out of MiDAS used to confirm transfer to MCL. In addition, an inter-agency working group has been created with MAHS, TIA and UIA that delivered a review of potential enhancements to process and IT systems to LARA and TIA leadership.

FINDING #8 – Opportunities Exist for Additional Automation using MiDAS

We recommend that the Division holds more claimant and employer seminars to better educate them on self-service automated systems.

Final Response:

UIA agrees with the recommendation and will comply.

The UIA strongly encourages both employers and claimants to utilize self-service automated systems (MiWAM Employer Accounts have risen from 160,000 in January of 2014 to 253,000 in July of 2015. There were 541,000 claimant users in MiWAM in July of 2015). However, UIA will continue to explore opportunities to improve efficiency. The UIA will stress MiWAM usage in its public outreach efforts, such as the claimant and employer seminars to be held throughout the spring and summer.