



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY
LANSING

SUSAN CORBIN
DIRECTOR

August 1, 2022

Mr. Rick Lowe, Chief Internal Auditor
Office of Internal Audit Services
State Budget Office
George W. Romney Building
111 S. Capitol Avenue, 6th Floor
Lansing, Michigan 48913

Dear Mr. Lowe:

In accordance with State of Michigan, Financial Management Guide, Part VII, please see the attached summary of findings and associated corrective action plans to address recommendations contained in the Michigan Office of the Auditor General's (OAG) *Performance Audit of the Michigan Integrated Data Automated System (MiDAS) and Michigan Web Account Manager (MiWAM) – Selected General and Application Controls, Unemployment Insurance Agency, Michigan Department of Labor and Economic Opportunity and Department of Technology, Management, and Budget.*

Should you have any questions regarding the attached information, please contact either of us, directly at (517) 231-1720 or WilliamsA6@michigan.gov or at (517) 241-1577 or ClarkL17@michigan.gov.

Respectfully,

Allen Williams

Allen Williams
LEO Chief Internal Control Officer

Laura Clark

Laura Clark
DTMB Chief Information Officer

cc: Distribution List

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Unemployment Insurance Agency,
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Final Responses and Corrective Action Plans

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- I. Audit recommendations the agencies have complied with:
None.

- II. Audit recommendations the agencies agree with and will comply:
Finding 1 – Estimated date of compliance is March 31, 2023.
Finding 2 – Estimated date of compliance is December 31, 2022.
Finding 3 – Estimated date of compliance is March 31, 2023.
Finding 4 – Estimated date of compliance is January 31, 2023.
Finding 5 – Estimated date of compliance is March 31, 2023.
Finding 6 – Estimated date of compliance is June 30, 2023.

- III. Audit recommendations the agencies disagree with:
None.

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FINDING 1

UIA did not always conduct required safeguards to protect federal tax information (FTI).

UIA did not:

- a. Perform required background checks for 36 (80%) individuals. Of these 36 individuals, 5 were UIA employees and 31 were DTMB employees or contractors.*
- b. Ensure IRS safeguard training completion by 27 (60%) individuals. Of these 27 individuals, 5 were UIA employees and 22 were DTMB employees or contractors.*
- c. Sufficiently track individuals with access to view FTI. Of the 45 individuals sampled, 16 (36%) were not included on UIA's internal tracking sheet.*
- d. Sufficiently monitor logs generated at the MiDAS application level to ensure individuals viewing FTI were properly authorized.*

Recommendation

We recommend that UIA conduct required safeguards to protect FTI.

Final Response / Corrective Action Plan Update

UIA agrees with this finding and will take actions to address the issues noted. Specifically, for each element of this finding, we provide the following updates:

- a. On April 12, 2022, UIA issued the Criminal History Check and Fingerprinting Policy, which requires criminal history checks on all users who have access to confidential information in UIA's possession. The criminal background checks are anticipated to be completed on all UIA staff, DTMB staff, and contractors who have access to personally identifiable information and/or FTI by March 31, 2023.
- b. After identification of all users who have access to FTI, IRS safeguards training will be completed. IRS safeguards training is anticipated to be completed for all applicable users who have access to FTI by March 31, 2023.
- c. The Internal Controls Division Analyst, on a weekly basis, will compare access logs of individuals who viewed FTI against the UIA internal tracking log of individuals with

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access to FTI to ensure the completeness of the tracking log. This procedure is anticipated to be in place by March 31, 2023.

- d. In conjunction with the weekly comparison noted above, the Internal Controls Division Analyst will review to determine the individuals accessing FTI were properly authorized to do so. This procedure is anticipated to be in place by March 31, 2023.

Anticipated Completion Date: March 31, 2023

FINDING 2

UIA should establish a process to ensure the timely removal of MiDAS user access rights.

We noted:

- a. *UIA did not disable MiDAS application access within 72 hours of employee departure or transfer for 42 (69%) of the 61 users sampled.*
- b. *UIA did not request DTMB to terminate SOM network access within 24 hours of employee departure or transfer for 30 (49%) of the 61 users sampled.*
- c. *UIA did not request DTMB to terminate RSA token access within 24 hours of employee departure or transfer for 41 (67%) of the 61 users sampled.*
- d. *UIA did not ensure any of the three credentials were disabled for 17 (28%) of the 61 users sampled.*

Recommendation

We recommend that UIA establish a process to ensure the timely removal of user access rights.

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Final Response / Corrective Action Plan Update

UIA agrees with this finding and will take actions to address the issues noted. UIA is currently formalizing the quality control process requiring management to timely terminate MiDAS, SOM network, and RSA token access to ensure compliance with SOM Technical Standard 1340.00.020.01. Effective May 2, 2022, the Internal Controls – Compliance Division has been performing weekly audits of the removal of access rights and is currently working directly with the interested divisions to improve the current process.

Anticipated Completion Date: December 31, 2022

FINDING 3

UIA did not fully establish and implement effective application access controls over MiDAS, thereby increasing the risk of unauthorized access, use, and modification of unemployment insurance data.

Our review of MiDAS access controls disclosed:

- a. *UIA did not fully establish a formal process to grant MiDAS application access to align with users' job responsibilities. UIA did not:*
 - (1) *Consistently list all groups or functions on user access request forms nor did UIA always have complete supporting documentation for access granted to users.*
 - (2) *Document group and function capabilities to ensure MiDAS users are granted appropriate access rights necessary to perform their jobs.*
 - (3) *Identify incompatible functions or excessive access rights to ensure effective segregation of duties and access based on the principle of least privilege.*

- b. *UIA did not always perform effective user account management. UIA did not:*
 - (1) *Disable user accounts of departed contractors.*

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(2) Establish a timely process to consistently ensure accounts were inactivated after 60 days of inactivity.

(3) Conduct annual recertifications of user access rights.

Recommendation

We recommend that UIA fully establish and implement effective application access controls over MiDAS.

Final Response / Corrective Action Plan Update

UIA agrees with this finding and will take actions to address the issues noted. Specifically, we provide the following updates:

- a. As part of the current FAST Core 21 upgrade, MiDAS user access rights will be granted on an individual basis based on their specific job requirements and the principle of least privilege will be followed. During this process, incompatible functions and excessive access rights will be identified and addressed appropriately to ensure effective segregation of duties.
- b. As previously noted, the Internal Controls – Compliance Division has been performing weekly audits of the removal of access rights and is working directly with the interested divisions to formalize the process requiring management to timely terminate MiDAS, SOM network, and RSA token access to ensure compliance with SOM Technical Standard 1340.00.020.01. Additionally, SQR 36776 is currently in process to adjust the MiDAS job run to being ran every 30 days instead of 60 days on MiDAS user account inactivity. Finally, as part of the current FAST Core 21 upgrade, user access rights are being reviewed in 2022. Annual recertifications will take place at the beginning of each fiscal year, beginning on October 1, 2023.

Anticipated Completion Date: March 31, 2023, and Ongoing (annual recertifications)

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FINDING 4

DTMB did not fully develop and document processes to review Center for Internet Security (CIS) benchmarks to identify recommendations appropriate to the State's environment and monitor ongoing compliance with the recommendations. As a result, DTMB could not readily verify MiDAS and MiWAM servers conform with security best practices.

Our review of DTMB's process for securing the MiDAS and MiWAM servers according to CIS benchmark recommendations disclosed:

- a. DTMB did not periodically review new and updated CIS benchmark security recommendations to determine whether to adopt the recommendations in the MiDAS and MiWAM server environments.*

We compared the two versions and identified 42 new or updated recommendations had not been implemented on the MiDAS and MiWAM servers. DTMB evaluated the 42 recommendations we identified and determined:

- (1) 14 recommendations should be implemented.*
 - (2) 14 recommendations could not be implemented in the MiDAS and MiWAM server environment.*
 - (3) 1 recommendation needs to be evaluated further by DTMB.*
 - (4) 13 recommendations were already configured in the servers.*
- b. DTMB's tool to test and monitor server compliance with CIS benchmarks did not test for all CIS version 1.0.0 benchmark recommendations.*
 - c. DTMB did not formally document its business case and management approval for all CIS benchmark recommendations it did not adopt.*

Recommendation

We recommend that DTMB fully develop and document processes to review CIS benchmarks to identify recommendations appropriate to the State's environments and monitor ongoing compliance with the recommendations.

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DTMB agrees with the need to enhance, develop and document processes to review and tailor CIS benchmarks appropriate to the State’s environment; and to document processes for monitoring on-going compliance with the tailored benchmarks. As such, DTMB:

- is reviewing the tailored benchmarks currently in use in the State’s environment for appropriateness. DTMB will document approval of the tailored benchmarks.
- is documenting and enhancing standards and procedures as necessary.

Anticipated Completion Date: January 31, 2023

FINDING 5

UIA did not ensure that all individuals with access to MiDAS completed security awareness training.

- *One DTMB contractor did not complete the security training, because UIA did not require DTMB contractors to do so. UIA did not obtain an exemption allowing for the deviation from SOM Technical Standard 1340.00.030.01.*
- *UIA did not maintain documentation of 2 UIA contractors’ signed acknowledgment forms.*

Recommendation

We recommend that UIA ensure all individuals with access to MiDAS complete security awareness training.

Final Response / Corrective Action Plan Update

UIA agrees with this finding and will take actions to address the issues noted. UIA agrees that all individuals with access to MiDAS should complete security awareness training. As previously noted, UIA will conduct criminal background checks on all UIA staff, DTMB staff,

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and contractors who have access to confidential UI data. In addition, UIA will also require and conduct security awareness training for these same individuals. The Internal Controls Division Analyst who tracks and logs all individuals with FTI access will also track and log all compliance and security awareness trainings.

Anticipated Completion Date: March 31, 2023

FINDING 6

UIA, in conjunction with DTMB, did not fully implement effective change controls over the MiDAS and MiWAM application and data to ensure that all system changes were authorized and operating as intended before being implemented.

Our review disclosed:

- a. UIA did not document the various levels of review and approval of the business requirements on the request for automation services form, Form 6431, for 13 (39%) of the 33 SQRs reviewed.*
- b. UIA did not document post-implementation testing for 8 (24%) of the 33 SQRs reviewed.*
- c. UIA, in conjunction with DTMB and its software vendor, should improve its change control processes to meet SUITE SEM requirements. Specifically, UIA needs to ensure:*
 - (1) Formalized change management policies and procedures are documented and implemented at the application level to ensure an effective process.*
 - (2) Documentation of DTMB's and the software vendor's system integration testing is maintained. This will ensure new software code will not impact the existing MiDAS and MiWAM functionalities and the updated functionalities meet the design of the system.*
 - (3) User acceptance testing (UAT) is performed at sufficient and appropriate levels to verify system changes are working as intended and reduce any unintended consequences prior to implementation into production.*

Recommendation

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We recommend that UIA, in conjunction with DTMB, fully implement effective change controls over the MiDAS and MiWAM applications and data to ensure all system changes are authorized and operating as intended before implementation.

Final Response / Corrective Action Plan Update

UIA and DTMB agree with this finding and will take actions to address the issues noted. Specifically, we provide the following updates. UIA, with assistance from DTMB, is in process of developing a change management procedure that will:

- a. Require and maintain documentation of approval for business changes. A request for automation service ticket or other approval documentation must be fully completed with all necessary signoffs before Agency Services will process the request.
- b. Require documentation be maintained for all post-implementation verification.
- c. Incorporate appropriate SUITE SEM requirements to minimize likelihood new software will materially impact the existing MiDAS and MiWAM functionalities.

Anticipated Completion Date: June 30, 2023