
Department of Labor and Industries (L&I)

Agency: 235

Audit Report: 1002840

Finding Number: 001

Finding: The Department did not adequately monitor contractor deposit accounts and payment overrides.

Resolution: The Department's Specialty Compliance Division's fiscal desk staff is responsible for notifying contractors about inactive account credit balances and forwarding unclaimed balances to the Department of Revenue's (DOR) Unclaimed Property Section. A policy and procedure for notifying contractors about inactive account credit balances and forwarding unclaimed credit balances to the DOR's unclaimed property section on a monthly basis was implemented and the responsibility is defined in the fiscal desk staff's expectations. Contractors are notified about their inactive account and asked whether they wish to maintain the account or have the balance refunded. If no response is received within 30 days, the balance is transferred to DOR. The first set of unclaimed balances for inactive accounts was sent to DOR in August 2009.

The Specialty Compliance Division implemented a new procedure and made changes to its technology to define the circumstances when a fee can be waived and to ensure that justification is documented in advance for any fees that are waived. The system now requires a reason to be entered before a fee can be waived. The program manager for contractor registration now uses monthly reports generated by the system to monitor these actions.

The Financial Services Program fiscal analyst is responsible for reconciling the contractor deposit account (CDA) balance in the Front Counter System against the Agency Financial Reporting System balance. This responsibility is defined in the fiscal analyst's expectations. Information Services created a monthly CDA balance report from the Front Counter System to provide the information necessary for this reconciliation. The Financial Services Program fiscal analyst has performed a monthly reconciliation of the CDA since June 2009.

Formal documentation of procedures in desk manuals was completed in April 2010.

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Audit Report: 1002840

Finding Number: 002

Finding: Internal controls over the Department of Labor and Industries' Front Counter System are inadequate to safeguard public resources.

Resolution: The Department took or will take the following actions to improve transaction review and segregation of duties:

- Developed and implemented policies and procedures for processing nonpermit refunds and, separately, for review and approval of voids and corrections. The policies include management oversight expectations to monitor appropriate processing of voids, corrections, and nonpermit refunds. Training was provided to field office managers, and the duties described in the policies were documented in staff expectations.
- Implemented a new policy limiting the number of sales auditors allowed in each office to two unless a documented exception is granted.
- Implemented a system edit to prevent the changing of in-transmittal dates to periods in which the Department is not open for operation.
- Created service requests to update the Front Counter System. The requested changes include adding an edit to prevent the same user from creating and subsequently voiding a transaction. User requirements are being defined, but the changes will not be implemented until July 2011 due to other software updates.
- Policies and procedures will be created for reconciling non-sufficient fund (NSF) memos with the system. Changes will be made to the Front Counter System to support the monitoring and reconciliation of NSF transactions. The changes will not be implemented until July 2011 due to other software updates.

The Department took or will take the following actions to address the system access issues:

- Implemented a change to the Front Counter System to ensure that users will be locked out after 5 unsuccessful logon attempts. The lockout period lasts 30 minutes unless the user contacts the Information Technology service desk for a password reset. There is also a new report of unsuccessful log in attempts given to the Information Systems Security Office.
- Implemented an agencywide approach to ensure that users are required to re-enter their password after a period of 15 minutes of inactivity. The time-out occurs at the "machine" level making it impossible to access any application without logging into the machine.
- Developed and documented a process to verify that code has not been modified by an unauthorized source. Going forward, the web application development server lab managers still have the same access to source code and production servers. The code promotion process that demonstrates what their access really entails has been documented and reviewed by internal auditors who agree the process maintains the appropriate separation of duties. The state auditors will be returning to the Department at a later date for a demonstration of the code promotion process.

Status of Resolution of Audit Findings

December 2010

- Removed access to the production database for 14 programmers who have permission to execute stored procedures. Internal Audit will coordinate with the business unit to verify the fix.
- Will determine what updates to the security matrix are required, including whether changes to the security groups (i.e., the number of users, the specific accesses they have, etc.) are necessary and practical.

To address the issue of inadequate review and documentation of system changes, the Department implemented a new process to review, authorize, and document program changes. After the original adoption, it was determined additional and more detailed procedures are needed. A new peer review team is currently updating procedures.

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