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**NEWS RELEASE**

FOR RELEASE

February 14, 2014

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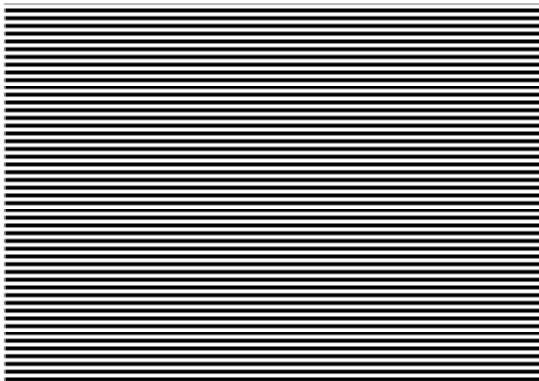
Auditor of State Mary Mosiman today released a report on a review of selected general and application controls over the Iowa Public Employees' Retirement System (IPERS) I-Que Pension Administration System for the period May 20, 2013 through July 12, 2013.

Mosiman recommended IPERS develop procedures to monitor system administrator actions, establish procedures to periodically review access rights and update and test the disaster recovery plan. IPERS has responded positively to the recommendations.

A copy of the report is available for review at IPERS, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/1460-5530-BT01.pdf>.

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**REPORT OF RECOMMENDATIONS TO THE  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
ON A REVIEW OF SELECTED GENERAL AND  
APPLICATION CONTROLS OVER THE I-QUE  
PENSION ADMINISTRATION SYSTEM**

**MAY 20, 2013 to JULY 12, 2013**

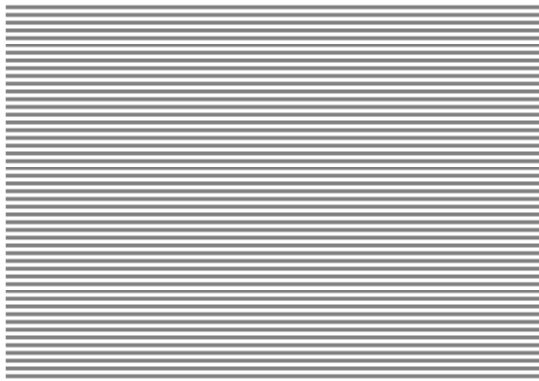
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January 30, 2014

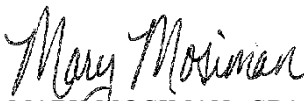
To Donna Mueller, Chief Executive Officer of the  
Iowa Public Employees' Retirement System:


In conjunction with our audit of the financial statements of the Iowa Public Employees' Retirement System (IPERS) for the year ended June 30, 2013, we conducted an information technology review of selected general and application controls for the period May 20, 2013 through July 12, 2013. Our review focused on the general and application controls for the I-Que Pension Administration System as they relate to our audit of the financial statements. The review was more limited than would be necessary to give an opinion on internal controls. Accordingly, we do not express an opinion on internal controls or ensure all deficiencies in internal controls are disclosed.

In conducting our review, we became aware of certain aspects concerning information technology controls for the I-Que Pension Administration System for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations which pertain to IPERS' general and application controls over the I-Que Pension Administration System. These recommendations have been discussed with IPERS personnel and their responses to these recommendations are included in this report. While we have expressed our conclusions on IPERS' responses, we did not audit IPERS' responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Public Employees' Retirement System, citizens of the State of Iowa and other parties to whom IPERS may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of IPERS during the course of our review. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our review are listed on page 7 and they are available to discuss these matters with you.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

cc: Honorable Terry E. Branstad, Governor  
David Roederer, Director, Department of Management  
Glen P. Dickinson, Director, Legislative Services Agency

May 20, 2013 through July 12, 2013

## **I-Que Pension Administration System General and Application Controls**

### **A. Background**

The Iowa Public Employees' Retirement System (IPERS) I-Que Pension Administration System is used to process employee and employer contributions, member benefits and adjustments. The first phase of I-Que was rolled out in August 2008 to allow employers to report wages online, submit contribution payments and manage member and employer demographics. The second phase of I-Que was implemented during fiscal year 2012 and is used to process retirement benefits and adjustments.

### **B. Scope and Methodology**

In conjunction with our audit of the financial statements of IPERS, we reviewed selected aspects of the general and application controls in place over the I-Que Pension Administration System for the period May 20 through July 12, 2013. Specifically, we reviewed the general controls: security management, access controls, segregation of duties, contingency planning and change management controls. We also reviewed the application controls: business process controls, including input and output. We interviewed staff of IPERS and we reviewed IPERS' policies and procedures. To assess the level of compliance with identified controls, we performed selected tests.

We planned and performed our review to adequately assess those IPERS operations within the scope of our review. We developed an understanding of IPERS' internal controls relevant to the operations included in the scope of our review. We believe our review provides a reasonable basis for our recommendations.

We used a risk-based approach when selecting activities to be reviewed. We focused our review efforts on those activities we identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, we used our finite review resources to identify where and how improvements can be made. Thus, we devoted little effort to reviewing operations that may be relatively efficient or effective. As a result, we prepare our review reports on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

### **C. Results of the Review**

As a result of our review, we found certain controls can be strengthened to further ensure the reliability of financial information. Our recommendations, along with IPERS' responses, are detailed in the remainder of this report.

#### **General Controls**

- (1) Administrator Monitoring – Administrative access rights provide an employee with powerful capabilities and, as such, should be controlled. The number of employees granted administrative access to the I-Que Pension Administration System has been limited and all activity is logged. However, management does not review the logs to monitor the activity of the system administrators.

Recommendation – IPERS should establish procedures to monitor the actions of system administrators.

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Response - All domain-related user account related changes, including domain administrators, are tracked and logged using Solarwinds and Netwrix. Domain administrators are assigned to monitor these logs. Information Management Division Managers receive email notifications from Solarwinds and Netwrix providing details of user account changes. These emails will now be reviewed with Domain administrators during their bi-weekly meetings and a record of the discussion/review will be documented on the bi-weekly report.

User account management within the Pension Administration system is not monitored/logged by Solarwinds. New queries have been created to report on activities of the I-Que system administrators who perform user account management functions. These queries will be reviewed with the system administrators during their bi-weekly meeting with their manager.

Conclusion – Response accepted.

- (2) Review of Access Rights - Access to the I-Que system is determined based on employee roles and responsibilities. Access is granted based on an employee's role within IPERS. Exceptions to the standard roles are granted with permission from the employee's supervisor. However, there is no formal policy or procedure established for granting exceptions to the standard roles.

In addition, there is no efficient and effective way to monitor each individual's role within the I-Que system to ensure employees are granted access rights which are aligned with their assigned job duties.

Recommendation – IPERS should establish policies and procedures to require the performance and documentation of periodic reviews of access rights for systems processing financial transactions as well as systems containing sensitive or confidential information to ensure employees are granted access rights which are aligned with their assigned job duties. All exceptions to standard roles should be approved by the employee's supervisor and the authorization for the change should be retained.

Response - Before June 30, 2014, IPERS will establish a policy/procedure for granting exceptions to the standard user roles in I-Que.

While not necessarily efficient, an IPERS System Administrator will schedule an annual meeting with each supervisor/manager to review I-Que system access permissions for each of their direct reports. Further, an audit will be conducted to review all roles and permissions defined in the IPERS Rollout 2 Security Access Grid V.1.1 to confirm access rights are aligned with job duties. Target date to begin reviews is July 2014.

Conclusion – Response accepted.

- (3) Disaster Recovery Planning – Business continuity and disaster recovery plans are designed to help ensure an entity remains functional in the event of a loss of facilities or personnel. These plans should be updated regularly, periodically tested, distributed to key individuals and maintained in written form at an off-site location.

May 20, 2013 through July 12, 2013

IPERS has prepared a disaster recovery plan for its IT systems which includes a requirement for information to be updated and tested annually. However, the business continuity plan has not been materially updated or tested since the implementation of the I-Que system. In addition, the identification of applications critical to maintaining operations has not been updated since the second phase of I-Que was implemented in fiscal year 2012.

Recommendation – IPERS should update the disaster recovery plan annually and distribute it to all individuals expected to play a key role if the plan is put into action. Also, the plan should address all critical systems and be tested periodically.

Response – IPERS acknowledges the disaster recovery plan is outdated and has not been tested. By December 2014, IPERS will have the disaster recovery plan updated and distributed. By June 2015, IPERS will have the disaster recovery plan tested and will test annually by June 30 in following years.

Conclusion – Response accepted.

#### **Application Controls**

No recommendations were noted in our review of application controls for IPERS' I-Que Pension Administration System.



Report of Recommendations to the Iowa Public Employees' Retirement System

May 20, 2013 through July 12, 2013

**Staff:**

Questions or requests for further assistance should be directed to:

Erwin L. Erickson, CPA, Director  
Lesley R. Geary, CPA, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this review include:

Kassi D. Adams, Staff Auditor  
Todd E. Pudenz, CPA, Assistant Auditor