

**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA  
Auditor of State

NEWS RELEASE

FOR RELEASE \_\_\_\_\_

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released a report on a review of selected general and application controls over the Iowa Department of Human Services' Targeted Case Management System (TCM) for the period March 31, 2014 through April 18, 2014.

Mosiman recommended the Department strengthen its policies and procedures related to reconciliation documentation and penetration testing. The Department has responded positively to the recommendations.

A copy of the report is available for review at the Iowa Department of Human Services, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1560-4010-BT01.pdf>.

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**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF HUMAN SERVICES  
ON A REVIEW OF SELECTED GENERAL AND APPLICATION  
CONTROLS OVER THE DEPARTMENT'S  
TARGETED CASE MANAGEMENT SYSTEM**

**MARCH 31, 2014 THROUGH APRIL 18, 2014**

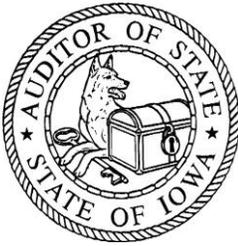
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November 2, 2015

To Charles Palmer, Director of the  
Iowa Department of Human Services:

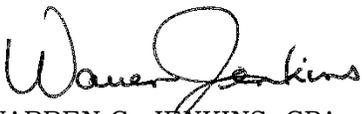
In conjunction with our audit of the financial statements of the State of Iowa for the year ended June 30, 2014, we conducted an information technology review of selected general and application controls of the Iowa Department of Human Services for the period March 31, 2014 through April 18, 2014. Our review focused on the general and application controls of the Iowa Department of Human Services' Targeted Case Management (TCM) 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 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 the Department's general and application controls over the TCM system. These recommendations have been discussed with Department personnel and their responses to these recommendations are included in this report. While we have expressed our conclusions on the Department's responses, we did not audit the Department's 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 Department of Human Services, citizens of the State of Iowa and other parties to whom the Iowa Department of Human Services 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 the Iowa Department of Human Services during the course of our review. Should you have 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 of the TCM system 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

# Report of Recommendations to the Iowa Department of Human Services

March 31, 2014 through April 18, 2014

## **Targeted case Management System General and Application Controls**

### **A. Background**

The Iowa Department of Human Services' Targeted Case Management (TCM) system is used to record case information and generate bills for services rendered.

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

In conjunction with our audit of the financial statements of the State of Iowa, we reviewed selected aspects of the general and application controls in place over the Iowa Department of Human Services' Targeted Case Management system for the period March 31, 2014 through April 18, 2014. Specifically, we reviewed the general controls: security management, access controls, segregation of duties, configuration management and contingency planning and the application controls: business process controls, including input and output, and interface controls. We interviewed staff of the Department and we reviewed Department 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 Department operations within the scope of our review. We developed an understanding of the Department's 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 the Department's responses, are detailed in the remainder of this report.

Report of Recommendations to the Iowa Department of Human Services

March 31, 2014 through April 18, 2014

**General Controls**

Penetration Testing – Internet-borne attacks targeting security vulnerabilities occur on a daily basis and can threaten assets and mission critical systems. A proven way to reduce risks from attack is to proactively test systems and implement appropriate countermeasures. Vulnerability assessments and penetration testing are valuable tools in this process and help in gauging the effectiveness of security measures.

Penetration testing has not been performed recently.

Recommendation – The Department should strengthen procedures to ensure vulnerability assessments and penetration testing are performed periodically.

Response – The Department will work with the State of Iowa’s Office of the Chief Information Officer (OCIO) Information Security Office (ISO) to conduct annual penetration testing.

Conclusion – Response accepted.

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**Application Controls**

Reconciliation Documentation – Targeted Case Management system claim status reports are compared to sales journal reports to reconcile the total billed each month, but no documentation of this reconciliation is retained and no independent review of the process is performed to ensure timely completion. Also, reconciliations of the amount billed to Magellan, the Iowa Medicaid Enterprise and counties with actual payments received and entered into the State’s I/3 accounting system are not documented.

Recommendation – The Department should establish procedures to document the reconciliations and reviews performed.

Response – Targeted Case Management’s account technicians do not document their comparison of the Sigmund system’s “Claim Status” screen to the “Sales Journal Report,” however the Sigmund “Aging Report” which includes receivable information and items documenting variances between the “Claim Status” screen and the “Sales Journal Report” is examined by the Public Service Supervisor at a minimum of monthly. The Supervisor follows up on each item with the appropriate account technician to ensure all items are correctly handled. The Supervisor documents the completion of this monthly process on an Outlook calendar which is reviewed by the Bureau Chief per Targeted Case Management (TCM) policy. Working with the billings on Aging is an ongoing process as units may be billed multiple times before being paid, depending on the timing of all issues being resolved. TCM’s handling of this process has greatly improved since the inception of Sigmund in fiscal year 2011. TCM’s policy related to the process in effect during the time of this audit will be provided upon request.

During fiscal year 2014 TCM began a new process to reconcile the amounts billed to Magellan, the Iowa Medicaid Enterprise, and counties with actual payments received and entered into the State’s accounting system, I/3. This is performed monthly by the Public Service Supervisor or Accountant and is reviewed by the Budget Analyst. TCM will implement a process to document the reconciliations and reviews have been completed each month.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Human Services

March 31, 2014 through April 18, 2014

**Staff:**

Questions or requests for further assistance should be directed to:

Erwin L. Erickson, CPA, Director  
Tiffany M. Ainger, CPA, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this review include:

Keith C. Kistenmacher, Senior Auditor II  
April D. Harbst, Senior Auditor  
Jesse J. Probasco, CPA, Staff Auditor  
Kyle C. Smith, CPA, Staff Auditor