DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

March 27, 2014

Karl S. Aro
Executive Director

Thomas J. Barnickel III, CPA
Legislative Auditor

Senator Edward J. Kasemeyer
Chairman, Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West Wing
11 Bladen Street
Annapolis, Maryland 21401

Delegate Norman H. Conway
Chairman, House Appropriations Committee
House Office Building, Room 121
6 Bladen Street
Annapolis, Maryland 21401

Dear Senator Kasemeyer and Delegate Conway:

The Office of Legislative Audits (OLA) has conducted a review of the actions taken by the Department of Labor, Licensing and Regulation (DLLR) to resolve the four repeat findings (presented as five findings) in our October 4, 2011 audit report. This review was conducted in accordance with a requirement specified in the April 2013 *Joint Chairmen's Report* (JCR), page 95. The JCR required that, prior to release of $150,000 of its administrative appropriation for fiscal year 2014, DLLR must take corrective action on all repeat audit findings. The JCR language further provided that OLA submit a report to the budget committees listing each repeat audit finding along with a determination that each repeat finding was corrected within sufficient time to allow 45 days for the budget committees to review and release the funds prior to the end of fiscal year 2014.
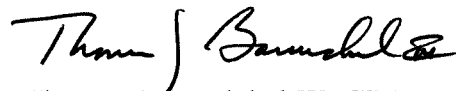
The October 4, 2011 DLLR audit report contained four repeat audit findings presented as five findings (findings 1, 2, 3, 4, and 9) that were addressed by eleven recommendations. In accordance with the aforementioned JCR requirement, DLLR provided a report to OLA, dated December 12, 2013, detailing the corrective actions that DLLR has taken with respect to these repeat audit findings. We reviewed this report and related documentation, performed limited tests and analyses of the information, and held discussions with DLLR personnel, as deemed necessary, to assess the implementation status of the related recommendations. Our review did not constitute an audit conducted in accordance with generally accepted government auditing standards.

DLLR's December 12, 2013 status report indicated that the recommendations for these repeat findings were fully implemented. Our review determined that DLLR had taken the necessary corrective actions to resolve four of the five findings that DLLR's report indicated had been corrected. For the remaining finding, the actions taken did not satisfactorily address the recommendation.

A summary of OLA's assessment of the status of each of the repeat audit findings is included in the attached Exhibit 1. Exhibit 2 contains OLA's findings regarding the one repeat finding that had not been resolved. After discussing our review results, DLLR understood our positions, generally agreed with the accuracy of the information presented, and indicated that the remaining corrective actions will be taken. We wish to acknowledge the cooperation extended to us by DLLR during this review.

We trust our response satisfactorily addresses the JCR requirement. Please contact me if you need additional information.

Sincerely,

Thomas J. Barnickel III, CPA
Legislative Auditor

cc: Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Joint Audit Committee Members and Staff
Senator Thomas V. Mike Miller, Jr., President of the Senate
Delegate Michael E. Busch, Speaker of the House of Delegates
Governor Martin J. O'Malley
Comptroller Peter V.R. Franchot
Treasurer Nancy K. Kopp
Attorney General Douglas F. Gansler
Secretary T. Eloise Foster, Department of Budget and Management
Leonard J. Howie III, Secretary, DLLR
Barbara A. Kittrell, Director of Budget and Fiscal Services, DLLR
Samuel K. Smith, Internal Auditor, DLLR
Melvin Kince, Sr., Chief Information Officer, DLLR
David Stine, Chief Technology Officer, DLLR
Prahalad Pateel, Deputy Chief Information Officer, DLLR
Joan Peacock, Manager, Audit Compliance Unit, DBM
Karl S. Aro, Executive Director, Department of Legislative Services
Jody J. Sprinkle, Policy Analyst, Department of Legislative Services

Exhibit 1 to March 26, 2014 Letter to Joint Chairmen

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Status of Repeat Findings in OLA's October 4, 2011 Audit Report on the Department of Labor, Licensing and Regulation – Office of the Secretary, Division of Administration, and the Division of Workforce Development and Adult Learning

Prior Recommendations Pertaining to Repeat Findings	Status Based on OLA Review
Information Systems Security and Control	
1a. We recommend that DLLR encrypt unemployment insurance claim records in transit and on the DLLR network in compliance with the Department of Information Technology's *Information Security Policy*.	Corrected
1b. We recommend that DLLR allow each payroll service provider access to only its unemployment insurance claim information.	Corrected
2a. We recommend that DLLR use separate credit card service provider accounts for credit card payment processing and service management.	Corrected
2b. We recommend that DLLR restrict the use of its credit card service provider service management account to only authorized Internet addresses.	Corrected
2c. We recommend that DLLR either encrypt the credit card provider account name and related password on the web server or remove them from the web server.	Corrected
2e. We recommend that DLLR either encrypt the plain text log files containing new licensee personal information or remove the log files from the web server.	Corrected
2f. We recommend that DLLR limit the electronic licensing web server account's access to critical files to only those files needed to perform required operations.	Corrected
3a. We recommend that DLLR perform weekly, documented reviews of web server log files, expanded to include unusual events and trends in activity.	Corrected
4. We recommend that DLLR comply with Department of Information Technology's *Information Security Policy* and establish adequate access, account, password, and monitoring controls over the aforementioned professional licensing application server and database.	Not Resolved

Shaded recommendations are more fully described in Exhibit 2.

Exhibit 1 to March 26, 2014 Letter to Joint Chairmen

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Status of Repeat Findings in OLA's October 4, 2011 Audit Report on the Department of Labor, Licensing and Regulation – Office of the Secretary, Division of Administration, and the Division of Workforce Development and Adult Learning

Prior Recommendations Pertaining to Repeat Findings	Status Based on OLA Review
Equipment 9b. We recommend that DLLR establish and maintain an independent control account, periodically document a reconciliation of the account to the related detail records, and investigate any discrepancies.	Corrected
9e. We recommend that DLLR investigate and resolve discrepancies between the inventory results and the detail records, including the reporting of missing or stolen items to the Department of General Services and the removal of the items from the detail records, as necessary.	Corrected

Exhibit 2 to March 26, 2014 Letter to Joint Chairmen

OLA's Findings Regarding Repeat Findings That Had Not Been Resolved

Information Systems Security and Control

Prior Report Recommendation – Finding 4
We recommend that DLLR comply with Department of Information Technology's *Information Security Policy* **and establish adequate access, account, password, and monitoring controls over the aforementioned professional licensing application server and database (repeat).**

Status: Not Resolved
Account, password, and certain access controls over the professional licensing application server were proper and were in accordance with the Department of Information Technology's *Information Security Policy.* In addition*,* DLLR was logging security-related events pertaining to the professional licensing application server; however, DLLR was not reviewing the logged items for propriety. Furthermore, for the critical database cited (Maryland Workforce Exchange), although this database was now being maintained by a service provider, key system security and audit-related events were not being monitored even though the ability to perform such monitoring existed. Documentation still did not exist to support DLLR's or the service provider's review and investigation of the database server's failed logon attempts. Finally, for the professional licensing application server, two programmers continued to have capabilities which provided them with unnecessary access to all resources (for example, files) on the server.