



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Charlie Janssen  
State Auditor

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January 30, 2019

John Albin, Commissioner  
Nebraska Department of Labor  
550 South 16<sup>th</sup> Street  
Lincoln, Nebraska 68509

Dear Commissioner Albin:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska (State) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we have issued our report thereon dated January 4, 2019. In planning and performing our audit, we considered the State's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements of the State, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

In connection with our audit described above, we noted certain internal control or compliance matters related to the activities of the Nebraska Department of Labor (Department) or other operational matters that are presented below for your consideration. These comments and recommendations, which have been discussed with the appropriate members of the Department's management, are intended to improve internal control or result in other operating efficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control included a review of prior year comments and recommendations. To the extent the situations that prompted the recommendations in the prior year still exist, they have been incorporated in the comments presented for the current year. All other prior year comments and recommendations (if applicable) have been satisfactorily resolved.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not identified.

Draft copies of this letter were furnished to the Department to provide management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this letter. Responses have been objectively evaluated and recognized, as appropriate, in the letter. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

The following are our comments and recommendations for the year ended June 30, 2018.

**1. Allowance for Doubtful Accounts**

The Department performed a journal entry to record an allowance for doubtful accounts for benefits due from claimants. The Department erroneously used the prior year's allowance calculation for the fiscal year ended June 30, 2018, entry, causing expenditures to be overstated and the receivable to be understated by \$702,345. The Auditor of Public Accounts' (APA) proposed adjustment was recorded by DAS.

A good internal control plan and sound business practices require procedures to ensure information used to compile financial statements is complete and accurate.

When adequate procedures are not in place to ensure the completeness and accuracy of financial information used to compile the financial statements, there is a greater risk that material misstatements may occur and remain undetected.

We recommend the Department implement procedures to ensure entries are properly recorded for the State's financial statements.

*Department Response: This error was due to an incorrect formula in a year-end worksheet. Even though two independent parties reviewed the spreadsheet and entries it was missed. We will continue to have entries reviewed by at least two independent parties, and for our year-end audit entries we will compare them to the previous year and pass them through our Compliance department for a third review.*

**2. Review of Users with Access to TMS and BPS Database Tables**

In following up on the prior year finding regarding the Department's review of the Tax Management System (TMS) and Benefit Payment System (BPS) database tables containing significant financial information, the Department verified that it did not conduct a periodic review of users with access to those database tables. During the previous audit, we noted users from the Department of Health and Human Services (DHHS), the Supreme Court, and the Office of the Chief Information Officer (OCIO) were members of groups with access to these database tables. A documented review would allow the Department to be aware of all users with access to these database tables, to restrict access to only Department employees who require such access to fulfill their job duties, and to verify that users employed by other agencies still require access.

Nebraska Information Technology Commission (NITC) Standards and Guidelines, Information Security Policy 8-502 (July 2017), states, in relevant part, the following:

- (1) *User accounts must be provisioned with the minimum necessary access required to perform duties. Accounts must not be shared, and users must guard their credentials.*
- (2) *Administrator level access is privileged and must be restricted to authorized IT personnel only. All privileged access accounts are subject to additional security, including multi-factor authentication, and enhanced auditing and logging of activity.*

NITC Standards and Guidelines, Information Security Policy 8-701 (July 2017), Auditing and compliance; responsibilities; review, provides the following, in relevant part:

*An agency review to ensure compliance with this policy and applicable NIST SP 800-53 security guidelines must be conducted at least annually.*

National Institute of Standards and Technology (NIST) Special Publication 800-53, Security and Privacy Controls for Federal Information Systems and Organizations, Access Control 6 Least Privilege, states, in part, the following:

*The organization employs the principle of least privilege, allowing only authorized accesses for users (or processes acting on behalf of users) which are necessary to accomplish assigned tasks in accordance with organizational missions and business functions.*

A good internal control plan includes procedures to ensure that access is only granted to necessary users.

When user database access is not periodically reviewed, it creates the opportunity for inappropriate access to State resources.

We recommend the Department implement procedures to periodically review user access to the database tables with sensitive TMS and BPS information. We also recommend the Department periodically review user access with other agencies to ensure only users requiring access to Department resources have such access.

*Department Response: The agency began this process in September 2018. Due to turnover at the agency this was not implemented by the end of 2017 as originally planned. The internal IT security team goes through the groups of allowed users and reviews all the ID's to ensure that only authorized parties may view certain specific pieces of data. Users were deleted who no longer required access. A copy of the spreadsheet is available.*

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Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use our knowledge of the Department and its interaction with other State agencies and administrative departments gained during our work to make comments and suggestions that we hope will be useful to the Department.

This communication is intended solely for the information and use of the Department, the Governor and State Legislature, others within the Department, Federal awarding agencies, pass-through entities, and management of the State of Nebraska and is not intended to be, and should not be, used by anyone other than the specified parties. However, this communication is a matter of public record, and its distribution is not limited.



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