

## Section 9

Update on the implementation of  
recommendations from:

### **IT Audits of the Corporate Accounting System (CAS)**

- Part 1: Audit of the Government's  
Corporate Accounting System  
June 2005
- Part 2: Audit of the Government's  
Corporate Accounting System  
December 2006

October 2008





Ref: 50138

February 5, 2008

Bill Gilhooly, CA  
Assistant Auditor General  
Office of the Auditor General  
PO BOX 9036 STN PROV GOVT  
Victoria BC V8W 9A2

Dear Mr. Gilhooly:

Re: Follow-up to Corporate Accounting System Audit  
Part 1: Audit of the Government's Corporate Accounting System, June 2005

In response to your letter of January 3, 2008, Corporate Accounting Services has completed the attached self-assessment report provided by your office, which updates the status of the recommendations of the Part 1 June 2005 audit.

All recommendations have been implemented.

Recommendations in this self-assessment were presented to the Select Standing Committee on March 5, 2007.

Please contact me with any questions you may have on the attachment.

Sincerely,

Lori Wanamaker, CA  
Deputy Minister

cc: Richard Poutney, Assistant Deputy Minister, Common Business Services  
Nashater Sanghera, Executive Director, Corporate Accounting Services  
Cheryl Wenezenki-Yolland, Comptroller General, Office of the Comptroller General  
James Capron, Acting Executive Director, Financial Management Branch

**Audit Report Title and Date: Audit of Government's Corporate Accounting System: Part 1, June 2005  
Self Assessment Report: January 31, 2008**

**Pro Forma Format for Monitoring Ministry Progress:**

**Cover Letter:**

This should include a signed representation that the enclosed self-assessment has been reviewed and approved by the Deputy Minister or equivalent.

**General comments about progress since the previous response or report release:**

*(one to two pages)*

**I – Recommendation has been fully or substantially implemented  
P – Recommendation has been partially implemented  
AA – Alternative action has been undertaken, general intent of alternative action will address OAG finding  
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**Audit Report Title and Date: Audit of Government's Corporate Accounting System: Part 1, June 2005  
Self Assessment Report: January 31, 2008**

| Aud Ref # | OAG Recommendations   | Actions Taken Since Report Issued<br>All actions completed as of December 20, 2006   | Results of Actions  | Self-Assessed Progress<br>I / P / AA / NA |
|-----------|---|--|---|---|
| 1         | Regularly review and update policies and procedures in order to provide current and accurate information to ( <i>internal</i> ) users. A history should be maintained to inform users of the changes and the current approved version in use. | <ul style="list-style-type: none"> <li>Corporate Accounting Services performs regular reviews to ensure that documents are current and meet documentation standards and versioning controls.</li> <li>Established a review schedule for all policies and procedures.</li> </ul>                          | <ul style="list-style-type: none"> <li>Controls and reviews in place</li> </ul> | I   |
| 2         | Develop a process to monitor compliance with ( <i>internal</i> ) policies and standards.  | <ul style="list-style-type: none"> <li>Corporate Accounting Services performs regular reviews to ensure that processes to monitor compliance with policies and standards are current.</li> <li>Documented applicable process for Corporate Accounting Services systems development lifecycle.</li> </ul> | <ul style="list-style-type: none"> <li>Controls and reviews in place</li> </ul> | I   |

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| 3         | Regularly review job descriptions to make sure that the roles and responsibilities are still current and the skills and experience required are clearly specified.                                | <ul style="list-style-type: none"> <li>The audit identified job descriptions that were not current. Corporate Accounting Services has made all the adjustments as identified in the audit.</li> <li>Corporate Accounting Services is developing a Human Resource strategy that will include the regular review of all job descriptions.</li> </ul> | <ul style="list-style-type: none"> <li>Controls and reviews in place</li> </ul> | I   |
| 4         | Perform a Business Continuation Plan (BCP) risk analysis and testing annually (or when significant changes occur) and update the plan regularly to ensure its contents are complete and accurate. | <ul style="list-style-type: none"> <li>Business Continuity Plan and Disaster Recovery Plan (DRP) updated and tested annually to ensure critical functionality is not compromised.</li> <li>A full time BCP/DRP position was created and is filled.</li> </ul>  | <ul style="list-style-type: none"> <li>Controls and reviews in place</li> </ul> | I   |

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| 5         | Prepare a quality management plan, defining the quality assurance process and how it will be implemented, for each system project as required by the adopted standards. | <ul style="list-style-type: none"> <li>A quality management plan, defining the quality assurance process, and schedule for implementation has been completed.</li> </ul>  | <ul style="list-style-type: none"> <li>Under continuous review and refinement.</li> </ul> | I   |
| 6         | Develop a process to monitor overall information technology performance by comparing actual performance to the capacity and technology plan on a regular basis.         | <ul style="list-style-type: none"> <li>Corporate Accounting Services follows a regular review process with emphasis on the heaviest load period, which is year end, or during major project implementation activity.</li> </ul>       | <ul style="list-style-type: none"> <li>Controls and reviews in place</li> </ul>           | I   |
| 7         | Set the passwords for production servers to different passwords from those in the test and development environments.  | <ul style="list-style-type: none"> <li>Workplace Technology Services changed all the production passwords to be different from development / test in compliance with the best practice recommendation of the audit report.</li> </ul> | <ul style="list-style-type: none"> <li>Controls and reviews in place</li> </ul>           | I   |

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| 8         | Identify high-risk information in the Oracle database, implement an audit log—that cannot be altered—that records changes made to this information and assign an individual to review the audit logs regularly and follow up on any unusual activity. | <p>All actions completed as of December 20, 2006</p> <ul style="list-style-type: none"> <li>• Corporate Accounting Services has identified and incorporated methods for protecting the audit log.</li> <li>• A new Enterprise Security Officer (ESO) position was created January 2005, to review the roles, monitor the audit log and to maintain a security framework within Corporate Accounting Services. The ESO actively reviews known high-risk tables.</li> <li>• Corporate Accounting Services has identified the high-risk information and is monitoring the table audit log daily.</li> </ul> | <ul style="list-style-type: none"> <li>• Controls in place</li> </ul> | I   |

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| 9         | Restrict access to the test and development servers to only those IP addresses that require access.                             | <ul style="list-style-type: none"> <li>• Access is restricted as appropriate.</li> <li>• Corporate Accounting Services has individually identified those resources that require access to the Dev and Test servers and implemented redundant firewall rules that block all other access.</li> </ul>                             | <ul style="list-style-type: none"> <li>• Controls in place</li> </ul> | I   |
| 10        | Determine the appropriate IP addresses for access to Corporate Accounting Services and restrict the firewall rules accordingly. | <ul style="list-style-type: none"> <li>• Corporate Accounting Services and Workplace Technology Services have worked together to meet this requirement.</li> <li>• Identification of appropriate IP addresses for access to Corporate Accounting Services, and restrictions to firewall rules have been implemented.</li> </ul> | <ul style="list-style-type: none"> <li>• Controls in place</li> </ul> | I   |

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| 11        | Add a rule to the IP filter that allows only the mainframe IP addresses to use the FTP port on the database server and disables the service on the other servers. | <ul style="list-style-type: none"> <li>Corporate Accounting Services has added the appropriate rule(s) to IP Filter and blocked or disabled the service on the other servers.</li> </ul>  | <ul style="list-style-type: none"> <li>Controls in place</li> </ul> | I   |
| 12        | Add a rule to the IP filter that allows only the TELNET port to be used on the servers that require TELNET.   | <ul style="list-style-type: none"> <li>Corporate Accounting Services has added the appropriate rule(s) to IP Filter and blocked or disabled the service on the other servers.</li> </ul>  | <ul style="list-style-type: none"> <li>Controls in place</li> </ul> | I   |
| 13        | Develop a process to notify support staff when the firewall is not running.   | <ul style="list-style-type: none"> <li>A process is in place where I.T. Security Branch (Workplace Technology Services) performs manual and automated spot checks on access logs. Workplace Technology Services checks the logs at least once a day.</li> </ul> | <ul style="list-style-type: none"> <li>Controls in place</li> </ul> | I   |

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| 14        | Review, along with Workplace Technology Services, the current firewall single-point of failure configuration to determine if a more secure configuration can be devised. | <p>All actions completed as of December 20, 2006</p> <ul style="list-style-type: none"> <li>Access through the Internet Gateway to the Corporate Accounting Services Servers has been completely blocked. This puts the Corporate Accounting Services' firewall rules in two separate locations in addition to the perimeter monitoring done by Workplace Technology Services. Additionally Corporate Accounting Services has procured and installed a hardware firewall for an additional measure of security.</li> </ul> | <ul style="list-style-type: none"> <li>Controls in place</li> </ul> | I   |

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Joint Response from the Ministry of Labour and Citizens' Services and  
Ministry of Finance



Ref: 50138

February 4, 2008

Mr. Bill Gilhooly, CA  
Assistant Auditor General  
Office of the Auditor General  
PO BOX 9036 STN PROV GOVT  
Victoria BC V8W 9A2

Dear Mr. Gilhooly:

**Re: Follow-Up to Corporate Accounting System Audit  
Part 2: Audit of the Government's Corporate Accounting System, December 2006**

In response to your letter of January 3, 2008, Corporate Accounting Services (CAS) has completed the attached self-assessment report provided by your office, which updates the status of the recommendations of the Part 2 December 2006 audit. To date, one recommendation is completed and five of CAS' recommendations are in progress. The Office of the Comptroller General (OCG) has completed three recommendations, one is in progress and one has been undertaken using an alternative solution.

Recommendations in this self-assessment were presented to the Select Standing Committee on Public Accounts on March 5, 2007. Although the self-assessment report reviews only the key recommendations of the Part 2 audit, both CAS and the OCG are addressing all recommendations in the audit.

Please contact either of us with any questions.

Sincerely,

Lori Wanamaker, CA  
Deputy Minister  
Ministry of Labour and Citizens' Services

for Chris Trumpy  
Deputy Minister  
Ministry of Finance

cc: Mr. Richard Poutney, Assistant Deputy Minister, Common Business Services  
Ms. Nashater Sanghera, Executive Director, Corporate Accounting Services  
Ms. Cheryl Wenezenki-Yolland, Comptroller General, Office of the Comptroller General  
Mr. James Capron, Acting Executive Director, Financial Management Branch

Ministry of Labour  
and Citizens' Services

Office of the Deputy Minister

Mailing Address:  
Box 9440 Stn Prov Govt  
Victoria BC V8W 9V3

Telephone: 250 387-8842  
Facsimile: 250 387-8561

Section 9

**Audit Report Title and Date: Audit of Government's Corporate Accounting System: Part 2, December 2006  
SELF ASSESSMENT REPORT: JANUARY 31, 2008**

**Pro Forma Format for Monitoring Ministry Progress:**

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| 4           | Corporate Accounting Services take a more proactive role in ensuring all access is appropriate by alerting ministries of possible problems with user access. | <ul style="list-style-type: none"> <li>• Corporate Accounting Services is preparing a document to describe all responsibilities by role and a list of associated available functions.</li> <li>• As well, a responsibility matrix is being prepared that will identify responsibility combinations that present a possible risk.</li> <li>• These documents will be distributed to ministries when completed.</li> </ul> | <ul style="list-style-type: none"> <li>• Not applicable as report is not yet completed.</li> <li>• Monitoring processes and targeted for implementation in September 2008.</li> </ul> | P                                      |

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| 5           | Procedures be established to communicate staff changes to security administrators in a timely manner to ensure effective user access change management and to periodically review user access levels to ensure access granted remains appropriate based on users' positions. | <ul style="list-style-type: none"> <li>• Corporate Accounting Services continues to refine its procedures for monitoring employees' movement between ministries and job functions.</li> <li>• A report identifying employee movements is being developed to assist ministries with initiating user access changes.</li> </ul> | <ul style="list-style-type: none"> <li>• Monitoring processes and employee movement report targeted for implementation in September 2008.</li> </ul> | P                                      |

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| 30          | Corporate Accounting Services establish formal policies restricting further set-up of generic suppliers and formalize a plan to establish a well-defined approach for using, managing and updating existing generic supplier records.                                     | <ul style="list-style-type: none"> <li>Corporate Accounting Services has implemented this control and generic suppliers are no longer created. The Corporate Accounting Services internal procedures manual for supplier file management will be updated to reflect this directive by May 2008.</li> <li>Supplier maintenance documentation now contains a formalized process for identifying, clean-up and removal of all generic suppliers in the supplier file.</li> </ul> | <ul style="list-style-type: none"> <li>New generic suppliers can no longer be created.</li> <li>Corporate Accounting Services is actively reviewing supplier records to identify and remove generic suppliers from the supplier file.</li> <li>Targeted completion date for removal of all generic supplier records is March 2009.</li> </ul> | P                                      |
| 34          | Policies and procedures be established to define clearly a ministry's role and responsibilities in the bank account maintenance process, and to govern the extent of ministry review required for ensuring the completeness and accuracy of banking information obtained. | <ul style="list-style-type: none"> <li>A review of the bank account maintenance and business process has been completed.</li> <li>New supplier bank account maintenance procedures have been prepared but not yet shared with ministries.</li> </ul>  | <ul style="list-style-type: none"> <li>New policies and procedures regarding ministries' roles and responsibilities will be shared with ministries by September 2008.</li> </ul>  | P                                      |

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| 37          | Management at Corporate Accounting Services formalize procedures to monitor all supplier linkages to bank accounts and compare the details of the reported activities to source documents to ensure there are no unauthorized or inappropriate bank account linkages.  | <ul style="list-style-type: none"> <li>A review of the bank account maintenance and business processes that monitor supplier record linkages to bank accounts has been completed.</li> <li>New procedures and supporting reports have been developed but are not yet implemented.</li> </ul> | <ul style="list-style-type: none"> <li>New procedures and supporting reports will be implemented by September 2008.</li> </ul> | P                                      |
| 49          | Corporate Accounting Services explore the feasibility of requiring approval from expense authorities when manual changes are made to suppliers' cheque mailing addresses to prevent unauthorized changes. Guidance should also be established to ensure proper validation procedures are carried out when approving these changes. | <ul style="list-style-type: none"> <li>The feasibility review determined that the data and system functionality was available to provide exception reporting on manual override activities.</li> </ul>   | <ul style="list-style-type: none"> <li>Exception reporting available.</li> </ul>   | I                                      |

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| 12          | Monitoring activities be formalized and carried out by the Office of the Comptroller General (OCG) to ensure the chart data remains current and relevant. | <ul style="list-style-type: none"> <li>OCG has implemented this control by incorporating the routine monitoring of the chart master database into monthly tasks to ensure it remains up to date and accurate.</li> </ul> | <ul style="list-style-type: none"> <li>Part of OCG's month end process is to check for any information fields that are not in a rollover and to check for open chart of accounts alerts. Reports are run in Oracle to ensure Budget and Chart of Accounts and Oracle are in sync for chart of accounts. More monitoring will take place once Audit Command Language software is fully implemented.</li> </ul> | I   |

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| 32          | <p>OAG establish clear criteria for monitoring and compliance activities to ensure that the block supplier data remains current and relevant.</p> | <ul style="list-style-type: none"> <li>This is being addressed in the OCG's overall assessment of block supplier coding.</li> </ul> | <ul style="list-style-type: none"> <li>OAG is leading a project to address linkages with block suppliers and legal encumbrance obligations. As part of the project, OAG has closed 181 of the original 318 block supplier codes. Research is still being performed on many of the others. Policy will be updated to incorporate reasons for use of block supplier once the project is complete. In addition, OAG verifies 100% of block supplier expenses on a post-payment basis.</li> </ul> | <p style="text-align: center;"><b>P</b></p> |

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| 36          | <p>OAG effectively communicate to ministries the risks associated with banking activities and advise them how to detect the potential threats and to ensure that controls are functioning properly to address them.</p> | <ul style="list-style-type: none"> <li>OAG has communicated the risks associated with changes to banking information to the financial community. The issue has been discussed at both the Senior Financial Officer Council (SFOC) and the Financial Officer Advisory Committee (FOAC).</li> </ul> | <ul style="list-style-type: none"> <li>Comptroller General directive to ministries, September 15 2006 re: requests to change banking information was implemented. The identity and authority of the requestor, as well as the validity of the information requested must be verified by ministry and Provincial Treasury staff before processing changes. In addition, adequate documentation supporting the request must be retained. OCG has ongoing interactions with Corporate Accounting Services, Provincial Treasury and ministry stakeholders for banking items, including EFT payments to suppliers and employees.</li> </ul> | I                                      |

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| 50          | <p>Management require expense authorities to review procurement transactions when supplier information is subsequently added to purchase orders or changed, to ensure the appropriateness of the suppliers used for procuring the goods and services.</p> | <ul style="list-style-type: none"> <li>OCG has determined the enforcement of policy and the post audit review of approval activity are considered adequate controls to support the control framework. The expenditure authority is within their authority to make changes to the purchase order prior to approval. The key controls over the purchase are the qualified receiver's certification of what was ordered was received and the three-way matching of goods ordered and received to the supplier invoice. In many cases buyer specialists manage this process and deal directly with the supplier community to select the appropriate supplier for goods or services.</li> </ul> | <ul style="list-style-type: none"> <li>Training and communication of expense authority responsibilities and accountabilities is an ongoing government best practice and a key component of maintaining the financial framework, including recognition of compensating controls to mitigate risk for exceptions to standard business processes.</li> </ul> | AA                                     |

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| 51          | <p>OCG take on the initial responsibility of effectively communicating with ministries the risks of potential fraud in purchase and accounts payable transactions and advising them on how to detect potential threats resulting from these risks.</p> | <ul style="list-style-type: none"> <li>• There are controls in place to preclude changes that increase the dollar limits of transactions over pre-approved limits.</li> <li>• OCG agrees that the expense authority must be supported by having access to the information available to them. OCG, through FOAC and input into the expense authority training syllabus, will continue to promote education and understanding of the accountability of the expense authority role, including the risks of loss or misappropriation.</li> </ul> | <ul style="list-style-type: none"> <li>• OCG has updated the training bulletin for expense authorities and linked it with related core policy. OCG is working with the contracted training consortium to continue workshops for expense authorities, and to fully implement this training in the new financial curriculum program. In addition, OCG continues to provide SFOs with 3CMB compliance reports for feedback and to assist with regular monitoring of ministry expenses.</li> </ul> | I   |

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