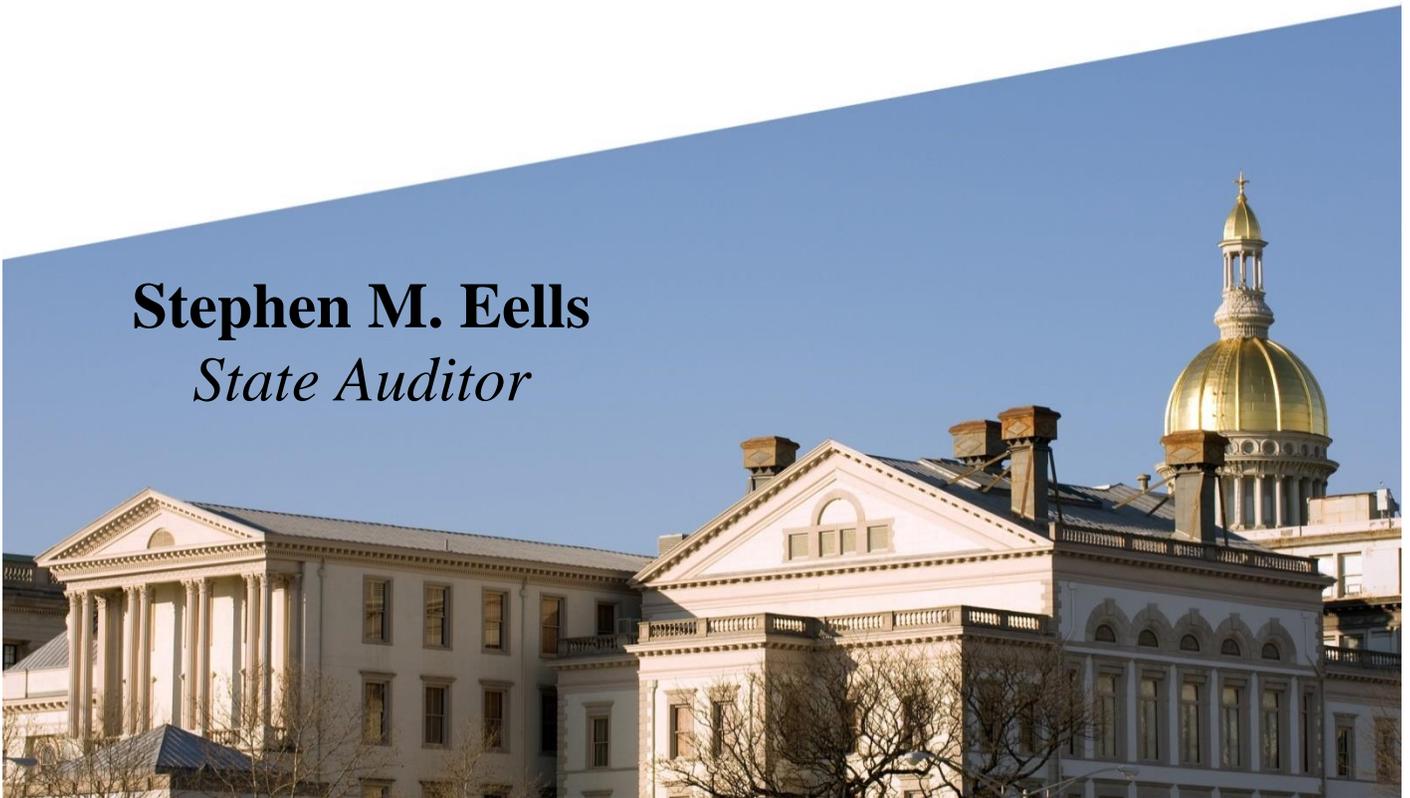


New Jersey Legislature
★ *Office of* LEGISLATIVE SERVICES ★
OFFICE OF THE STATE AUDITOR

Department of the Treasury
Division of Revenue and Enterprise Services
Information Technology Systems

February 6, 2017 to June 20, 2018

Stephen M. Eells
State Auditor



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Enclosed is our report on the audit of the Department of the Treasury, Division of Revenue and Enterprise Services, Information Technology Systems for the period of February 6, 2017 to June 20, 2018. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in dark ink, appearing to read "Stephen M. Eells".

Stephen M. Eells
State Auditor
January 22, 2019

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Scope

We have completed an audit of the Department of the Treasury, Division of Revenue and Enterprise Services (DORES or the division), Information Technology Systems for the period February 6, 2017 to June 20, 2018. Our audit evaluated selected general and application controls related to the review, capture, and storage of documents and associated data for the reports and remittances processed by DORES.

Objective

The objective of our audit was to determine the adequacy of selected application and general controls for change management, system backup and recovery, contingency planning and disaster recovery, system security, and data integrity.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Additional guidance for the conduct of the audit was provided by the *Control Objectives for Information and Related Technologies* (COBIT) issued by ISACA, the *Federal Information System Controls Audit Manual* (FISCAM) issued by the United States Government Accountability Office, and standards issued by the International Organization for Standardization.

In preparation for our testing, we studied legislation, circulars promulgated by the Department of the Treasury, and policies of DORES. Provisions we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our testing.

A nonstatistical sampling approach was utilized. Our samples of various transactions were designed to provide conclusions on our audit objectives as well as internal controls and compliance. Sample populations were sorted and transactions were judgmentally selected for testing.

Conclusion

The division takes administering and securing its information systems very seriously and has implemented adequate controls and processes over change management, system backup and recovery, contingency planning and disaster recovery, system security, and data integrity. In making this determination we noted certain control weaknesses requiring management's attention.

Background

The division reviews, data captures, and electronically scans and stores documents and remittances totaling 11 million mail receipts for numerous agencies. It also maintains 4 billion electronic images on file which are available for direct automated retrieval through the division's Document Remittance Enterprise Activity Management System (DREAMS). During the course of our audit the division also took ownership of the Set-Off of Individual Liability (SOIL) program.

Active Directory Access

Unnecessary access to Active Directory should be removed in a timely manner.

Active Directory is a Microsoft technology used to manage computers and other devices on a network. It is a primary feature of Windows Server, an operating system that runs both local and Internet-based servers.

Active Directory allows network administrators to create and manage domains, users, and objects within a network. For example, an administrator can create a group of users and give them specific access privileges to certain directories on a server. As a network grows, Active Directory provides a way to organize a large number of users into logical groups and subgroups while providing access control at each level.

During our review of Active Directory access, we found 225 of the 608 (37 percent) unique accounts within Active Directory for DORES have not logged into the accounts. We also found that 126 of the 608 (21 percent) accounts have non-expiring passwords.

Our review of individuals with Active Directory access to DREAMS found that 27 percent of the employees with the vendor, which handles scanning responsibilities for DREAMS, have not logged into the system in more than 60 days, with one user not logging in for more than 180 days.

There is no documented policy or procedure for the regular review of employee and vendor access to the Active Directory platform. FISCAM 2.17 states that “critical control points are those system control points that, if compromised, could allow an individual to gain unauthorized access to or perform unauthorized or inappropriate activities on entity systems or data.” Division personnel stated they reach out to the vendor every six months for an updated list of those who still have or need access to Active Directory. Currently, no separation policy exists detailing the steps the vendor must take to properly update DORES as to who still needs access and when they should be removed.

Recommendation

We recommend DORES review the 225 accounts currently with Active Directory access that have not been logged into and determine if these accounts are still needed. It should also review those with non-expiring passwords and determine if this is appropriate. The division should also create a policy and procedure for the regular review of Active Directory access to reduce the risk of unnecessary access and create a separation policy for those with vendor access and properly remove their credentials within Active Directory in a timely manner.



Set-Off of Individual Liability

Insufficient input controls exist for debtor's information in the SOIL system.

The SOIL program was established in 1981 by P.L. 1981, c.239. This program assists other state, county, and local agencies and the Internal Revenue Service (IRS) in their collection efforts by applying the New Jersey Gross Income Tax refunds and Homestead Rebates of taxpayers, who are indebted to participating agencies, against the debts owed to those agencies. It also administers the set-off program that permits the state to withhold payments to state vendors who owe taxes without needing to file a Certificate of Debt.

During our review we noted that the SOIL master file contains invalid social security numbers (SSNs) that have been submitted by the claimant agency. The SOIL system relies heavily on the debtor's SSN to identify New Jersey income tax refunds and property tax credits and apply them against debts owed to the division.

The current procedures for submitting a debtor to the SOIL system only verify that there are nine characters in the SSN field and the characters are numeric. The system will therefore allow all SSN entries including known invalid number combinations.

The Social Security Administration has guidelines in place stating the following SSNs are invalid:

- The first three digits (former area number) as 000 or 666,
- The second group of two digits (former group number) as 00, or
- The third group of four digits (former serial number) as 0000.

Due to insufficient input controls with the SOIL system, the system allows invalid entries into the SSN field. The SOIL system currently does not identify when an agency sends SSN entries that contain the invalid numbers listed above. The potential set-off of refunds will not occur if the master file does not have accurate SSNs.

Recommendation

We recommend the division generate an automated report within SOIL that identifies invalid SSNs before entering the data into the master file. Those entries should be returned to the claimant agency so it can correct the submission and allow only valid entries to flow into the master file.



Automating SOIL Processing

The current manual paper card system should be automated.

Currently, the SOIL system utilizes a paper card system to correspond with the agencies. The division makes continual comparisons between the consolidated debtor file and the refund and rebate files. When a complete match is identified, the SOIL system prints out the cards at the data center. These cards are sent directly to the division where they are separated and mailed to the claimant agencies. These agencies then manually certify and write on the card that the debt is still current and accurate. The claimant agency then mails the card back to DORES. One DORES employee receives all the cards from the agencies and batches them together and then sends them to its data capture revenue processing group. On average, this employee receives and sorts 200 to 400 cards per week and as many as 1,000 per week during tax season. Automating this archaic card system would reduce the workload significantly and save the time and money required for printing and delivering these cards.

Recommendation

The division should evaluate online solutions or SOIL system enhancements to simplify the exchange of information between the claimant agencies and DORES to eliminate manual data entry required by the current system.





State of New Jersey

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January 4, 2019

Mr. John J. Termyna
Assistant State Auditor
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125 South Warren Street
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Dear Mr. Termyna:

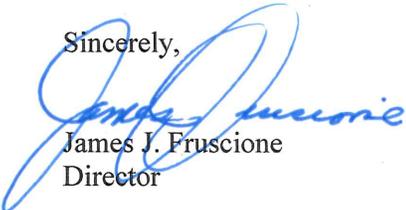
We have reviewed the Office of the State Auditor's December 13, 2018 report on key information systems administered by the Division, and have found the findings and recommendations contained therein accurate and actionable.

Based on the productive interactions between the audit team and our staff members, we have already taken steps to act on the report's recommendations. Relative to the recommendations for Active Directory, we have documented the separation policy for vendor personnel. The policy now complements our existing, documented employee separation process. We also initiated the next iteration of the reconciliation of Active Directory with the vendor's list of active staff, with an eye toward deactivating any individuals who separated from the firm. Further, we are reviewing non-expiring passwords to confirm that they are all required for system functions.

With respect to the Set-off of Individual Liability (SOIL) program, we anticipate completing an initiative that will migrate the program's underlying data management platform to a modern database format by the end of the first quarter of calendar year 2019. This will enable us to move forward with improvements like the data validation and process automation recommendations listed in the report.

In closing, we would like to extend our compliments and thanks to the members of the audit team for their diligence and professionalism.

Sincerely,


James J. Fruscione
Director

c. Elizabeth Maher Muoio, State Treasurer