

AUDIT REPORT

Unemployment Compensation Fund
Management Recommendations
Fiscal Year 2024
OIG No. 24-1-12BH(a)

January 31, 2025



DANIEL W. LUCAS
INSPECTOR GENERAL



OUR MISSION

We independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

OUR VISION

We strive to be a world-class Office of the Inspector General that is customer focused and sets the standard for oversight excellence!

OUR VALUES

Accountability: We recognize that our duty extends beyond oversight; it encompasses responsibility. By holding ourselves accountable, we ensure that every action we take contributes to the greater good of the District.

Continuous Improvement: We view challenges not as obstacles, but as opportunities for growth. Our commitment to continuous improvement drives us to evolve, adapt, and enhance our practices.

Excellence: Mediocrity has no place in our lexicon. We strive for excellence in every facet of our work.

Integrity: Our integrity is non-negotiable. We act with honesty, transparency, and unwavering ethics. Upholding the public's trust demands nothing less.

Professionalism: As stewards of oversight, we maintain the utmost professionalism. Our interactions, decisions, and conduct exemplify the dignity of our role.

Transparency: Sunlight is our ally. Transparency illuminates our processes, decisions, and outcomes. By sharing information openly, we empower stakeholders, promote understanding, and reinforce our commitment to accountability.






DISTRICT OF COLUMBIA | OFFICE OF THE INSPECTOR GENERAL

MEMORANDUM

To: The Honorable Muriel Bowser
Mayor of the District of Columbia

The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

From: Daniel W. Lucas
Inspector General 

Date: January 31, 2025

Subject: **Unemployment Compensation Fund Management
Recommendations**
OIG No. 24-1-12BH(a)

This memorandum transmits the final report *Unemployment Compensation Fund Management Recommendations* for fiscal year 2024. McConnell Jones, LLP (MJ) provided this report to the Office of the Inspector General as part of the annual audit of the District of Columbia's general-purpose financial statements for fiscal year 2024.

On January 3, 2025, MJ issued six recommendations intended to improve the internal controls of the Unemployment Compensation Fund (Fund) operations. When addressed, these improvements can increase assurances that the Fund runs its operations efficiently and effectively, reports reliable operational information, and complies with applicable laws and regulations.

Should you have questions or concerns, please contact me or Dr. Slemo Warigon, Assistant Inspector General for Audits, at (202) 792-5684.

**GOVERNMENT OF THE
DISTRICT OF COLUMBIA
UNEMPLOYMENT COMPENSATION FUND
An Enterprise Fund of the District of Columbia**

MANAGEMENT RECOMMENDATIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2024



McConnell Jones

January 3, 2025

To the Mayor, Members of the Council of the District of Columbia,
And the Inspector General of the District of Columbia

In planning and performing our audit of the financial statements of the Unemployment Compensation Fund of the District of Columbia (the Fund), an enterprise fund of the Government of the District of Columbia, as of and for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified certain matters involving the internal control and other operational matters, which are summarized below.

Our findings and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We believe that the implementation of these recommendations will provide the Fund with a stronger system of internal control while also making its operations more efficient. The successor auditor will review the implementation status of our findings and recommendations during the next audit engagement.

This letter does not affect our independent auditor's report, or our report issued under *Government Auditing Standards*, dated January 3, 2025, on the financial statements of the Fund.

This communication is intended solely for the information and use of management, others within the organization, the Mayor and members of the Council of the District of Columbia, and the Inspector General of the District of Columbia, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

McConnell Jones LLP

Washington, D.C.
January 3, 2025

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I. CURRENT YEAR FINDINGS

DISTRICT OF COLUMBIA DEPARTMENT OF EMPLOYMENT SERVICES (DOES)

Finding DOES 2024-001 – Continuity of Operations Plan (COOP) Update Required.

During a recent review of the DOES Continuity of Operations Plan (COOP), it was identified that the plan has not been updated since 2020. Additionally, the COOP does not address the 2024 implementation of UIBS, which is critical to operations. The NIST Special Publication 800-53 Rev. 5 provides a comprehensive set of security and privacy controls for information systems and organizations, including CP-2 Contingency Plan, CP-4 Contingency Plan Testing, and CP-6 Alternate Storage Site.

We discussed the lack of a systematic review process for the COOP and the insufficient coordination between the teams responsible for the CPPO and the UIBS implementation.

As a result, there is an increased risk of non-compliance with organizational policies and standards, as well as a risk of potential operational disruptions in the event of an emergency due to outdated procedures and the lack of integration of the UIBS.

Recommendations:

1. We recommend DOES update its COOP by conducting a comprehensive review and update of the COOP to include all organizational changes, technological advancements, and new operational procedures since March 2020.
2. Management should ensure that the COOP is reviewed and updated at least annually or whenever significant changes occur.
3. Management should integrate UIBS Implementation by incorporating the UIBS implementation into the COOP, detailing specific procedures and responsibilities to ensure seamless operations during emergencies.
4. Management should coordinate with the team responsible for the UIBS to understand the system's requirements and dependencies fully.

Management Response

Management does not concur with the Notification of Finding and Recommendation. The most recent Continuity of Operations Plan (COOP) dated January 18, 2024 was provided. The COOP is updated annually and will be updated before January 18, 2025. The current COOP includes information on Geographic Solutions data centers in Florida and California, even though the current UI system built by Geographic Solutions was not launched until February 5, 2024. Geographic Solutions and DOES launched the current UI system on February 5, 2024. The Geographic Solutions UI system did not exist prior to its launch, on February 5, 2024. Pursuant to the contract with Geographic Solutions, the first annual disaster recovery test was scheduled for and conducted on November 16, 2024. The first annual disaster recovery test was scheduled for and conducted on November 16, 2024. The scheduled annual disaster recovery test was conducted within 10 months of the launch of the current UI system. UIBS is a component of the Virtual One Stop (VOS) system DOES has used for many years, rather than a stand-alone system. OIT is part of the COOP update process, and regularly updates the COOP with technology changes.

I. CURRENT YEAR FINDINGS (Continued)

DISTRICT OF COLUMBIA DEPARTMENT OF EMPLOYMENT SERVICES (DOES)

Finding DOES 2024-001 – Continuity of Operations Plan (COOP) Update Required. (continued)

Auditor’s Comment

The Continuity of Operations Plan (COOP) provided by management was still marked as ‘Draft,’ and was not finalized. Additionally, management describes action steps taken, many of which occurred after the end of the fiscal year under audit. Management should take the necessary corrective actions to ensure risks presented by new IT systems, such as UIBS, are effectively controlled.

Finding DOES 2024-002 – Segregation of Duties (SoD) Matrix.

During the review of SoD for DOES’ UIBS, appropriate segregation of duties (SoD) could not be verified because the organization does not have a documented SoD matrix or a documented process to identify and mitigate conflicts of interest within various roles and responsibilities.

According to the DCS Access Control Policy and Procedures, Section 6.I.12 Electronic Access Policy-Procedure, access to the DOES data processing and storage system should be granted to individuals based on a valid need-to-know, as determined by the system owner. Access authorizations should comply with role-based information access and permissions to ensure the principle of least privilege and the separation of duties.

The failure to establish and maintain appropriate segregation of duties (including documenting SoD in a system access matrix) may result in users having the ability to both initiate and approve transactions, increasing the risk of data inaccuracy and/or fraud. Without clear role definitions, there can be confusion and overlap in responsibilities, leading to operational inefficiencies and potential conflicts of interest within various roles and responsibilities. Additionally, failure to adhere to the SoD policies can result in compliance issues, potentially leading to regulatory violations or audits.

Recommendations:

5. We recommend DOES to strengthen their access control policy to include a segregation of duties matrix that clearly defines roles and responsibilities to prevent conflicts of interest.
6. Management should conduct a review of UIBS employee accounts to document mitigations and monitor SoD.

Management Response

Management does not concur with the Notification of Finding and Recommendation.

All users of DOES systems are required to pass annual cybersecurity training classes, sponsored by the

District of Columbia Office of the Chief Technology Officer (OCTO) and the District of Columbia Department of Human Resources (DCHR). Annual completion is tracked by OCTO and documented by DCHR as a part of each employee’s official personnel training files. Although the auditors did not request copies of user training completion data, if needed, it can be acquired and provided. Additionally, please note the following salient information.

I. CURRENT YEAR FINDINGS (Continued)

DISTRICT OF COLUMBIA DEPARTMENT OF EMPLOYMENT SERVICES (DOES)

Finding DOES 2024-002 – Segregation of Duties (SoD) Matrix. (continued)

User access to UIBS must be approved by the Senior Deputy Director of the Bureau of Economic Stability and Benefits, Associate Director of the Office of Unemployment Compensation, or their subordinate managers. This is a consistent policy and practice.

System privileges are role based, and finally grained. A user cannot have privileges for more than one role.

There is no user role in the system which would allow claim creation, payment, payment method maintenance, and issue resolution. All these functions are separated and performed by users in different units of the Office of Unemployment Compensation.

Users who leave the Office of Unemployment Compensation have their access revoked immediately, during the offboarding process.

Users that change roles within the Office of Unemployment Compensation, lose the privileges of the old role before privileges for the new role are assigned.

User accounts are reviewed quarterly, to ensure users are assigned the correct privileges and remove users who should not have access.

OIT provided a description of user roles, and list of employees who hold each role.

DOES provided a separation of duties matrix which explains how Unemployment Compensation claims are processed.

The current UI system launched, on February 5, 2024, was built using the provided separation of duties matrix. There is no role or position within the current UI system that can perform the duties of another role or position.

Auditor's Comment

Management did not appropriately perform and document a segregation of duties analysis over the UIBS users' roles and responsibilities. We recommend that management implement corrective actions to ensure appropriate segregation of duties, which should be documented as part of their control environment.

REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT.

 (202) 724-TIPS (8477) and (800) 521-1639

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