DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

CHIEF INFORMATION OFFICER

SEP 28 2000

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MEMORANDUM FOR ASSOCIATE INSPECTOR GENERAL FOR AUDIT
(INFORMATION SYSTEMS PROGRAMS)

FROM: for Paul J. Cosgrave
Chief information Officer

SUBJECT: Management Response to Draft Audit Report - Computer Security Controls Should Be Strengthened in the Houston District (Audit No. 200020035)

Thank you for the opportunity to review and comment on your draft report, dated June 9, 2000, relating to the IRS' strengthening security controls in the Houston District.

We agree with your findings and are taking actions to improve user access of Examination Returns Control System (ERCS) and audit trails in the Houston District, as detailed in our attached management response. We have increased minicomputer capacity to run audit trails and have acceptable ERCS response times.

If you have any questions, please call me at (202) 622-6800. Members of your staff may call Barry Herrmann, Chief, Office of Program Oversight and Management Controls, at (202) 283-7698.

Attachment

cc: Director, Legislative Affairs

Attachment

Management Response to Draft Audit Report - Computer Controls Should Be Strengthened in the Houston District (Audit No. 200020035)

IDENTITY OF RECOMMENDATION #1

Review all users having IQ capability and restrict its use to those needing such access. Ensure that annual reviews of user account permissions include IQ usage. Develop a policy defining who should have IQ access and how to control and monitor it. Develop procedures that require all non-routine IQ requests to be approved and documented, including the purpose intended and use of the data. Explore the feasibility of obtaining from the ERCS application those reports that are commonly requested through IQ to limit the number of users who need access to IQ and providing information to the ERCS Development Center for consideration.

ASSESSMENT OF CAUSE

The IQ program was first introduced to the District as a research tool to be used by coordinators, group managers, and secretaries. There were no restrictions as to the number of users or as to the number or type of reports generated. Individuals having access to IQ were instructed to use this program for official business purposes only.

CORRECTIVE ACTIONS

1a. As of August 16, 2000, management initiated quarterly reviews of the ERCS IQ User List to determine if the user's need for IQ is valid.

1b. By October 1, 2000, a focus group meeting will be held with IQ users to obtain information regarding the types of reports generated. If commonly requested reports are identified this information will be provided to the ERCS Development Center for consideration of being added to the ERCS reports menu.

1c. By October 1, 2000, the Chief, Examination Division will issue a memorandum to all managers regarding IQ regulations, procedures and prohibitions against use of IQ to create production reports to evaluate groups and/or employees.

1d. By October 1, 2000, the Chief, Examination Division will issue procedures on generation, review and maintenance of IQ reports. The procedures will require managerial approval prior to generation of any IQ reports and maintenance of report information for any necessary review by the Chief, Technical Assistance for Planning and Coordination (TAPC).

IMPLEMENTATION DATES

1a. Completed: August 16, 2000
Initiated quarterly reviews of the
ERCS IQ User List.

1b. Proposed: October 1, 2000
Hold focus group meeting with IQ users

1c. Proposed: October 1, 2000
Issue a memorandum from the Chief, Examination Division regarding IQ regulations, procedures and prohibitions.

1d. Proposed: October 1, 2000
Issue procedures from the Chief, Examination Division on generation, review and maintenance of IQ reports.

RESPONSIBLE OFFICIALS

Chief Operations Officer
District Director, Houston

MONITORING PLAN FOR CORRECTIVE ACTIONS #1b, #1c and #1d

The Chief, Examination Division will receive periodic reports regarding the status of open actions.

IDENTITY OF RECOMMENDATION #2

Ensure that temporary approval permissions granted to acting managers are given for the exact periods needed. Periodically run the ERCS report of approval permissions, to be reviewed by management. Ensure managers review audit trails to detect acting managers updating or approving their own cases.

ASSESSMENT OF CAUSE

Managers delegated temporary approval in excess of the time required for their absence.

CORRECTIVE ACTIONS

2a. On July 14, 2000, the Chief, Examination Division responded to findings by requiring monthly reviews of Approval Permission Reports to ensure acting managers are given approval authority only for the time period needed.

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2b. By October 1, 2000, the Chief, Examination Division will issue a memorandum to all Examination managers informing them that acting managers should not initiate or approve any action on their own assigned inventory. Managers will be required to share this information with their actors.

IMPLEMENTATION DATES

2a. Completed: July 14, 2000
Initiated required monthly reviews of Approval Permissions.

2b. Proposed: October 1, 2000
Issue a memorandum from the Chief, Examination Division regarding IQ regulations, procedures, and prohibitions.

RESPONSIBLE OFFICIAL

Chief Operations Officer
District Director, Houston

MONITORING PLAN FOR CORRECTIVE ACTION #2b

The Chief, Examination Division will receive periodic reports regarding review results.

IDENTITY OF RECOMMENDATION #3

Remind managers of requirements for and instructions on removing access privileges for departing employees.

ASSESSMENT OF CAUSE

The managers had not always prepared Forms 5081 to remove separated employees from the LAN system.

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CORRECTIVE ACTION #3

On August 9, 2000, the Chief, Examination Division issued a notice to all managers addressing their responsibility for preparing Forms 5081 to remove employees from LAN, ERCS, etc., when there is no longer a need for them to have access or they are no longer employees.

IMPLEMENTATION DATE

Completed: August 9, 2000
The Chief, Examination Division issued a notice to all managers addressing their responsibility for preparing Forms 5081.

RESPONSIBLE OFFICIAL

Chief Operations Officer
District Director, Houston

MONITORING PLAN FOR CORRECTIVE ACTION #3

Not applicable

IDENTITY OF RECOMMENDATION #4

Reinforce requirements to perform audit trail reviews on the Examination side of ERCS minicomputers through issuance of IRM instructions and Functional Security Coordinator Guidelines and Training. Provide training on how to perform reviews, including what to review and when, how to document reviews, and how to handle potential problems discovered. Provide guidance on analyzing audit trail output for minicomputer audit trails so they are easier to review.

ASSESSMENT OF CAUSE

The National Office had not provided written guidelines on the Examination Returns Control System (ERCS) Audit Trails to the field.

CORRECTIVE ACTIONS

4a. On July 31, 2000, the National Office issued Internal Revenue Manual (IRM) 4.7, Examination Returns Control System, Chapter 2, Security, addressing ERCS Audit Trails.

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4b. On August 16, 2000, the Charlotte Development Center and National Office Examination issued a draft Functional Security Coordinator Training Guide on conducting audit trail reviews.

IMPLEMENTATION DATES

4a. Completed: July 31, 2000
The National Office issued IRM 4.7, Chapter 2, addressing requirements for reviews of ERCS audit trails.

4b. Completed: August 16, 2000
The National Office and Charlotte Development Center provided a draft functional security coordinator training guide.

RESPONSIBLE OFFICIALS
Chief Operations Officer
National Office Examination
District Director, Houston

MONITORING PLAN FOR CORRECTIVE ACTION #4b

The Houston District Examination function will test the draft training guide and provide feedback to the Charlotte Development Center.

IDENTITY OF RECOMMENDATION #5

Explore solutions to the hardware resource problem of running the ERCS minicomputer audit trail, including moving the ERCS to a different platform, or possibly running audit trails on a sampling basis if possible.

ASSESSMENT OF CAUSE

Information Systems deactivated the Unix audit trails on the three ERCS minicomputers because the systems did not have the hardware resources to run the audit trail and the ERCS applications at the same time. The audit trail slowed the system response time to a level that was unacceptable for the users. No other platform is available in the Houston District.

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CORRECTIVE ACTION #5

Information Systems has increased the working capacity of the three ERCS minicomputers, and tested the audit trail software in a controlled environment. Information Systems will turn the audit trails on by August 31, 2000, and monitor for a 30-day period to assess the impact on user response time.

IMPLEMENTATION DATE

Proposed: October 1, 2000
Complete assessment of audit trail impact on system response time.

RESPONSIBLE OFFICIAL

Chief Information Officer IS
Deputy Chief Information Officer (Operations) IS
Director, Field Operations IS:F

MONITORING PLAN FOR THE CORRECTIVE ACTION #5

Information Systems Field Operations will monitor system performance for 30 days after implementation of audit trails and coordinate with District Examination.

IDENTITY OF RECOMMENDATION #6

Ensure a log is kept of back-up tapes removed from and returned to the library.

ASSESSMENT OF CAUSE

The Information Systems Computer Systems Administration's (CSA) staff completes those minimum tape processing tasks that are required to maintain the Unix minicomputer operation on a day-to-day basis. The CSA provides limited tape librarian duties. The only CSA computer assistant performs these duties in addition to many other critical computer room tasks.

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CORRECTIVE ACTION #6

Develop a procedures for control of tapes removed from and returned to the library, and assign responsibility to an Information Systems (IS) employee.

IMPLEMENTATION DATE

Proposed: October 1, 2000
Assign responsibility for tape control procedures to an IS employee.

RESPONSIBLE OFFICIAL

Chief Information Officer IS
Deputy Chief Information Officer (Operations) IS
Director, Field Operations IS:F

MONITORING PLAN FOR CORRECTIVE ACTION #6

The Director Field Operations will review the monthly status report submitted by the Midstates Area Director of Information Technology.

IDENTITY OF RECOMMENDATION #7

Restrict access to back-up tapes by relocating the e-mail administrator or the tapes.

ASSESSMENT OF CAUSE

The e-mail administrator needed a quiet place to work when she visited the Post-of-Duty. Management assigned her to work in the tape library since there was a workstation with an available network connection.

CORRECTIVE ACTION #7

Information Systems Field Operations moved the employee's workstation.

IMPLEMENTATION DATE

Completed: January 5, 2000
Information Systems Field Operations moved the employee's workstation

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RESPONSIBLE OFFICIAL

Chief Information Officer IS
Deputy Chief Information Officer (Operations) IS
Director, Field Operations IS:F

MONITORING PLAN FOR CORRECTIVE ACTION #7

Not applicable.