Bulletin #FY04-3

SUBJECT: Development or Modification of Electronic Data Processing Systems or Business Systems

DATE: **July 7, 2003**

TO: **All Departments and Agencies**

FROM: **Edward Karass, State Controller**

As a part of our internal control campaign, the Office of the State Controller is adopting a controls review policy pertaining to manual and electronic systems that interface with MFASIS or lead to the creation of a transaction that will flow through the State's accounting system. All systems developed or modified that lead to the creation of a financial transaction must undergo a system's review by the Bureau's Internal Control Division before Accounts and Control will accept data passed to any component of the MFASIS system or its successor, electronically or by any other media.

Departments and agencies must submit an inventory of their interface systems to the Bureau by August 30, 2003, so that we may begin the process of assessing risk and prioritizing the systems that may require a review by the Bureau. Our staff will evaluate program controls to determine the existence and effectiveness of controls in systems. We will make recommendations where necessary to improve the system of internal data processing controls. Agencies should notify the Bureau of new initiatives and planned modifications to current systems at the earliest stage possible to allow us to begin the review process as soon as possible. Please send these notifications to Ed Karass, State Controller, or Terry Brann, Deputy State Controller.

Generally, system auditing is the process of collecting and evaluating evidence to determine whether a computer system safe guards assets, maintains data integrity, achieves organizational goals effectively, and consumes resources efficiently. EDP Controls and Security Evaluation reviews of an agency's data processing controls, both general and application controls, and security policies, are an important element of the internal control structure.

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The audits will involve agency management, customer and end users, developers, and IT management. Controls to be tested will include at a minimum: management controls, development and acquisition controls, and application controls. Testing will encompass:

- **General Controls Review – where detailed controls are appraised in both their necessity and presence.**
- **Compliance Testing – to determine whether the controls actually exist and function as specified in the documentation.**
- **Substantive Testing – determining whether the system data is accurate, complete, and confidential.**

We are available to consult with any agency contemplating a new system or business process to help ensure that the appropriate internal controls are designed into the system. This will help to prevent situations where systems and processes have to be modified after the project is completed.