



STATE OF MISSISSIPPI
HALEY BARBOUR, GOVERNOR
MISSISSIPPI DEVELOPMENT AUTHORITY
GRAY SWOPE
EXECUTIVE DIRECTOR

RECEIVED

APR 23 2008

OFFICE OF THE STATE AUDITOR

April 21, 2008

Mr. Stacey E. Pickering
State Auditor
State Of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. Pickering:

Re: Information Systems Management Report

Shortly after Congress allocated \$5.058 billion to Mississippi (H.R. 2863) for disaster relief and recovery related to Hurricane Katrina, MDA solicited bids for a contractor capable of assisting the State of Mississippi with a project of this magnitude. As a result of bid process, Reznick Group, was selected our contractor and implementation of the Homeowner Assistance Program (HAP), originally funded at \$3.5 billion, was begun.

Since that time, \$1.7 billion has been disbursed to homeowners on the Gulf Coast for repair and reconstruction of their homes. Several other programs have been launched in the interim, for additional affordable housing as well as economic development, community revitalization, and other recovery needs. A portion of the HAP funds were reallocated to fund some of these and other programs.

The MDA Disaster Recovery team understands the extreme importance of a strong system of internal controls in all phases of any function, including as it relates to information technology and oversight of contractors and vendors. Due to the urgent nature of the recovery effort, many of these systems were developed as the process was moving in just a matter of months. As with any new venture or start-up, internal controls must mature over time.

Effective February 2008, a new organizational structure, including additional staffing, was put in place. Among the new staff are several Certified Information Systems Auditors (CISA). We are now able to more effectively plan and oversee future and existing programs.

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As this report is based on systems managed under the contract with Reznick MS, LLC, and relates to recovery programs managed in part by that relationship, we wish to point out that the HAP programs are scheduled to conclude before the end of 2008.

AUDIT FINDINGS:

Reznick MS Should Develop a Disaster Contingency Plan

Response: MDA concurs with this finding. An Emergency Response Procedures document has been created by Reznick MS.

Corrective Action Plan:

- A. Resolved.
- B. N/A
- C. N/A
- D. N/A

Reznick MS Should Formalize Information Security Administration

Response: MDA does not concur with this finding. An electronic request and approval process is in place. MDA will direct Reznick MS to perform user access reviews on at least a monthly basis until the end of 2008.

Corrective Action Plan:

- A. MDA will direct Reznick MS to perform user access reviews on at least a monthly basis until the end of 2008.
- B. Stacy McEachern
- C. 2Q08
- D. N/A

Reznick MS Should Consolidate Security Administration Duties and Practices

Response: MDA concurs with this finding. All security administration is now handled by Reznick MS IT personnel.

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Corrective Action Plan:

- A. Resolved.
- B. N/A
- C. N/A
- D. N/A

All System Users Should Have Consistent Password Policies

Response: MDA concurs with this finding. MDA will direct Reznick MS to manually reset passwords every six months for the duration of the contract.

Corrective Action Plan:

- A. Resolved.
- B. N/A
- C. N/A
- D. N/A

Change Control Board Program Change Authorizations Should Be Signed Off

Response: MDA concurs with this finding. Reznick MS has implemented a Change Control Board (CCB). The CCB formally reviews and approves changes to policies, processes and systems. All CCB forms are reviewed and signed-off by appropriate Reznick MS parties.

Corrective Action Plan:

- A. Resolved.
- B. N/A
- C. N/A
- D. N/A

A Program Version Control Process Should Have Been Implemented to Compliment the CCB Process

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Response: MDA concurs with this finding. MDA will direct Reznick MS to document and implement a program version control process that includes complete technical records of all program changes. Currently, StarTeam version control Software is utilized for Work Flow Tool, and user acceptance testing is in place for Truth Update, eGrants, and Work Flow Tool. All three include an approval process, and roll back capabilities exist for Work Flow Tool.

Corrective Action Plan:

- A. MDA will direct Reznick MS to document and implement a program version control process that includes complete technical records of all program changes.
- B. Stacy McEachern
- C. 3Q08
- D. N/A

Software Development Quality Control Processes Should Not be Contractually Waived

Response: MDA concurs with this finding. MDA will direct Reznick MS to remove any clause waiving software development control processes from future contracts and statements of work.

Corrective Action Plan:

- A. MDA will direct Reznick MS to remove any clause waiving software development control processes from future contracts and statements of work.
- B. Stacy McEachern
- C. 2Q08
- D. N/A

Software Change Task Contracts Should Not Be Written in Arrears of Actual Work Done

Response: MDA concurs with this finding. At this point in the program there should no longer be a need for any major application development. MDA will direct Reznick MS that any future software development contracts must be written before work is performed and approved by MDA. This will be documented as part of the change control process.

Corrective Action Plan:

- A. MDA will direct Reznick MS that any future software development contracts must be written before work is performed and approved by MDA.
- B. Stacy McEachern
- C. 2Q08

Reznick MS – STR Grants LLS Task Change Order 006 Agreement Should be Documented

Response: MDA concurs with this finding. The original agreement for Task 006 has been provided by Reznick MS and is currently being reviewed by MDA. MDA will pursue resolution as recommended. Any amounts determined as duplicate billings or otherwise not justified to MDA's satisfaction will be deducted from future payments.

Corrective Action Plan:

- A. MDA will pursue resolution as recommended. Any amounts determined as duplicate billings or otherwise not justified will be deducted from future payments.
- B. Stacy McEachern
- C. 2Q08
- D. N/A

IT Applications Internal Audit Report, ITAR, Should be Complete

Response: MDA concurs with this finding. The total amount sub-contractor CVP billed for the ITAR totaled \$595,724.45 (excluding the 7.5% administrative fee paid to Reznick). Reznick MS modified the billings and split the costs among various categories (e.g., project management, etc.) prior to billing MDA. The end result was a total ITAR cost of \$126,611.24 (\$117,777.90 plus \$8,833.34 administrative fee). MDA will take this amount as a credit and reduce payment for the next invoice. In addition to the credit, Reznick MS must provide MDA with a signed affidavit from CVP that provides assurance that the entire amount shouldn't have been billed as ITAR fees. MDA is not pursuing additional concerns including:

1. Signing a scope of work with CVP that was not approved by MDA
2. The conflict of interest issue associated with CVP performing the ITAR when they were also involved in the system design
3. The manner in which the remaining \$477,946.60 (excluding the 7.5% administrative fee) was split among various categories by Reznick prior to billing MDA (MDA is only requesting the affidavit referenced above)

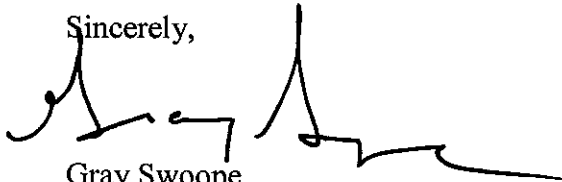
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Corrective Action Plan:

- A. A credit for the amount of \$126,611.24 will be applied against the next Reznick MS invoice.
- B. Gus Dulaney
- C. 2Q08
- D. N/A

This continues to be a difficult process in which our team has responded in an exceptional manner. We look forward to working with your office to complete this important mission.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gray Swoope', with a long horizontal flourish extending to the right.

Gray Swoope
Executive Director

GS:TH:asb