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January 7, 2008

Phil Bryant, State Auditor
Office of the State Auditor
501 North West Street
Suite 801
Jackson, MS 39201

RE: EDP Review Engagement

Dear Mr. Bryant:

With respect to your limited assessment of the EDP general controls of the Mississippi State Tax Commission, including an assessment of the Office of Alcoholic Beverage Control (ABC) of the Mississippi State Tax Commission as of August 31, 2007, the MSTC offers the following comments:

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROLS:

1. MSTC Should Create Systems Conversion Standards to Include a Data Verification Process

Response:

The MSTC agrees that it should create systems conversion standards to include a data verification process.

In future systems and data conversions, the MSTC plans to establish standards for systems conversion that would include quality control standards in conversion of systems. These standards will be used to validate data at conversion time to insure that all data is properly converted into the new system.

2. MSTC Should Improve Phoenix System Reporting

Response:

Regularly scheduled Phoenix reports were developed according to design specifications. Additional reports can be developed within a reasonable amount of time as deemed necessary. On-demand reports are available and can generally provide, within a reasonable amount of time, any type of detailed information requested.

3. ABC's AS/400 i5 System Security Should Be Improved

Response:

AS/400 i5 Security is being improved. The "Standguard" software package is being implemented as suggested, and will soon be completed.

Corrective Action Plan:

Based on the AS/400 i5 security checklist provided by the State Auditor's staff at the MSTC Internal Auditor's request, the MSTC Internal Auditor plans to use this checklist to assist in an internal audit review of AS/400 security. The MSTC Internal Auditor will follow-up with ABC EDP operations to insure that security features have been implemented and all users have been included in the security system implementation.

4. MSTC Should Update Its Information Technologies Disaster Recovery Plan

Response:

The MSTC agrees that an updated Information Technologies Disaster Recovery Plan is needed to ensure the integrity of operations during times of emergency.

Corrective Action Plan:

The Office of Information Technology plans to update the disaster recovery plan during the 2008 calendar year.

5. MSTC Should Create a Recovery Plan for ABC Information Technologies

Response:

The MSTC agrees that a recovery plan for ABC Information Technologies is needed. The creation of a recovery plan for ABC was well underway when changes in personnel interrupted progress on the Data Processing portion of the project.

Corrective Action Plan:

MSTC will continue to create a recovery plan for ABC during the 2008 calendar year.

IMMATERIAL DEFICIENCIES IN INTERNAL CONTROL:

6. MSTC Should Designate a Data Security Officer

Response:

The MSTC understands the ITS requirement that each agency designate an individual to serve as a contact for ITS concerning all security issues. In keeping with that policy, the MSTC has a designated security officer.

Corrective Action Plan:

The security officer will provide assurance that IT risks are evaluated, and that technology security practices are conducted. This is to be implemented during the 2008 calendar year.

7. MSTC Should Create a Formal Data Security Plan

Response:

MSTC agrees with the report's finding and understands that the State of Mississippi Enterprise Security Policy requires all agencies to develop and maintain an Enterprise Security Plan.

Corrective Action Plan:

A copy of the State of Mississippi Enterprise Security Policy has been acquired and an agency specific Enterprise Security Plan for the MSTC will be developed during the 2008 calendar year using this policy with attention paid to the minimum requirements listed in the Information Systems Management Report for the year ending June 30, 2006 (dated September 7, 2006).

8. MSTC Should Maintain Systems Documentation on Key Application Systems

Response:

The MSTC has application documentation developed by the Phoenix architects that was used for Phoenix development but the MSTC does not have adequate user documentation for the Phoenix program and many of the other legacy tax systems. The MSTC has requested funding from the legislature to acquire commercial off the shelf (COTS) tax systems to replace all of the existing legacy tax systems. If this request is approved the new COTS systems should include sufficient user documentation.

9. MSTC Should Monitor Internal System Events

Response:

The MSTC understands the need for system event monitoring to be able to identify significant internal system changes in both the Novell LAN and the HP-UX systems and the MSTC has the system audit tools necessary to accomplish the recommended audit of significant internal system events. However, the MSTC has not been able to use these tools on a continuing basis because they adversely impact system performance. The MSTC proactively and randomly looks for unauthorized event occurrences in each system but when management activates the automated tools, system performance drops to unacceptable levels. The COTS tax systems would be expected to correct the deficiencies experienced with the current systems.

Corrective Action Plan:

Pending upgrades to COTS tax systems, the decision to initiate the system audit tools on MSTC operating systems will be made by management after determining the impact that usage will have on those systems.

10. MSTC Should Review Phoenix Passwords for Terminated Employees

Response:

MSTC agrees with this finding and understands the Mississippi Enterprise Security Policy directs entities to be diligent about removing user accounts for staff no longer employed by the agency.

Corrective Action Plan:

MSTC will address this finding during the 2008 calendar year. MSTC Office of Human Resources will immediately notify the IT department when employees are terminated which will prompt IT to revoke employee's user-ids of employees who are no longer employed with this agency.

11. MSTC Should Evaluate and Create a Plan to Mitigate Findings from Global Network Review

Response:

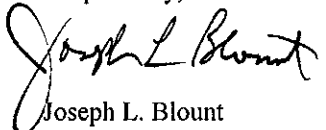
MSTC agrees that it should evaluate and create a plan to mitigate the findings from global network review.

Corrective action:

In order for the MSTC to perform such tasks, MSTC must obtain funding to perform the security audit and implement risk mitigation as necessary.

The MSTC staff is available to furnish any additional information requested or to provide further details concerning this assessment of our EDP general controls and the implementation of suggested changes.

Respectfully,


Joseph L. Blount
Commissioner of Revenue