

STATE OF SOUTH CAROLINA

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

JUNE 30, 2000

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Jim Hodges, Governor
and
Members of the General Assembly
State of South Carolina
Columbia, South Carolina

We have jointly audited the general purpose financial statements of the State of South Carolina as of and for the year ended June 30, 2000, and have issued our report thereon dated December 1, 2000. We did not jointly audit the financial statements of certain blended component units and agencies of the primary government, which statements reflect the indicated percent of total assets and other debits and total revenues, respectively, of the Special Revenue (58% and 19%), Enterprise (100% and 92%), Internal Service (68% and 87%), Pension Trust (100% and 100%), Investment Trust (100% and 100%), Higher Education (100% and 100%), and Agency (18% of assets and other debits) Funds, General Fixed Assets Account Group (13% of assets and other debits), and the General Long-Term Obligations Account Group (42% of assets and other debits). We also did not jointly audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors, including the Office of the State Auditor and Deloitte & Touche LLP acting separately, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units and agencies, is based solely upon the reports of other auditors. Deloitte & Touche LLP acting separately has examined 100% of the total assets and other debits and total revenues of the Investment Trust Fund. The Office of the State Auditor acting separately has examined 31% and 35% of the total assets and other debits and total revenues of the Higher Education Funds.

We conducted our joint audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The Honorable Jim Hodges, Governor
and
Members of the General Assembly
State of South Carolina

Compliance

As part of obtaining reasonable assurance about whether the State of South Carolina's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the State of South Carolina's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of South Carolina's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described on pages 3 to 4 of this report.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that are described on pages 5 to 8 of this report.

This report is intended solely for the information and use of the Governor, Members of the General Assembly, the governing body and management of State agencies and the cognizant federal audit agency, and is not intended to be and should not be used by anyone other than these specified parties.

Columbia, South Carolina
December 1, 2000

Columbia, South Carolina
December 1, 2000

REPORTABLE CONDITIONS

GAAP CLOSING PACKAGES

The Office of the Comptroller General (Comptroller General) obtains certain generally accepted accounting principles (GAAP) information from agency prepared closing packages to facilitate the preparation of the State's general purpose financial statements. Section 1.8 of the Comptroller General's GAAP Closing Procedures Manual requires that each agency's executive director and finance director accept responsibility for submitting closing package forms that are accurate, complete and prepared in accordance with instructions. The quality of the information agencies submit through the closing package process directly affects the quality of the State's general purpose financial statements and other information including the State's Comprehensive Annual Financial Report. Therefore, it is essential that closing package information be accurate, complete and submitted to the Comptroller General in a timely manner.

The following is a summary of closing package errors and internal control weaknesses noted during the audit of the general purpose financial statements. Where material misstatements have occurred, adjustments were made to the general purpose financial statements to correct the closing package errors.

Revenue Estimation

Department of Health and Environmental Control

The South Carolina Department of Health and Environmental Control (DHEC) recorded an estimate for medical services provided in its miscellaneous revenue closing package. In providing medical services through health clinics, home visits and long-term care, DHEC has a significant time lag in billing for services rendered. Thus to complete the closing package, DHEC must estimate its year-end accounts receivable using various sources of information available to management, as the actual billing information is not known as of the completion date of the closing package. This time delay in billing for services rendered is due to the method by which information is recorded by DHEC and the time delay in receiving billing information from county clinics. This condition could result in improper cash management due to a delay in billing for services rendered. This comment was also reported in the prior year.

We again recommend that DHEC identify the specific reasons why data cannot be processed more rapidly and develop and implement a system that accelerates the receipt of information from the county clinics relating to the various medical services that have been provided. This would enable DHEC to accelerate its billings, receive cash on a more timely basis, and to report a more precise accounts receivable balance at fiscal year-end.

See agency response at page 9.

Fixed Assets

Department of Corrections

We noted that the Department of Corrections reported a prior period adjustment for \$1,082,124 related to fixed assets. During the previous fiscal year, print shop equipment was transferred to the Department from another agency. The Department properly recorded the equipment in its Prison Industries accounts (an internal service fund) but failed to record the related accumulated depreciation. The error was discovered and disclosed on the Department's fixed assets closing package for the current fiscal year. We reported a similar finding in the prior fiscal year.

We recommend that the Department revise and review current policies and procedures to ensure that the closing package is accurately completed and ensure that its books properly reflect its fixed assets and accumulated depreciation.

See agency response at page 10.

Financial Reporting

Department of Social Services

We noted that the amounts presented on the Department of Social Services' (DSS) fiscal year 2000 schedule of federal financial assistance (SFFA) did not agree to the amounts as reported on the Department's general ledger. DSS personnel stated that the reason the amounts reported on the SFFA did not agree to the amounts reported on its general ledger for the majority of its federal grants was due to the fact that DSS did not close out its general ledger in a timely manner. The SFFA was derived from the general ledger as of June 30, 2000 which excludes fiscal month 13 transactions. The Department used the SFFA to report federal receivables to the State Comptroller General's Office on the grant/entitlement closing package. Based upon all available information as of the date of this letter, the amount of the misstatement between the actual amount to be received from Federal agencies and the amount recorded in the Comprehensive Annual Financial Report of South Carolina is less than \$500,000. A correcting entry to the Comprehensive Annual Financial Report of the State of South Carolina has not been made due to the immateriality of the misstatement for financial reporting purposes. This comment was also reported in the prior year.

We again recommend that DSS ensure that its books are closed out in a more timely manner after the end of each fiscal year. DSS must also ensure that all variances noted between the amounts reported on its SFFA and the amounts reported on its general ledger are identified and properly explained and eliminated.

See agency response at page 11.

OTHER MATTERS

GAAP CLOSING PACKAGES

Accounts Payable

Employment Security Commission

We noted that the Employment Security Commission (ESC) understated accounts payable by approximately \$60,000 on its accounts payable closing package. ESC did not use a complete listing of vouchers from fiscal months 01 and 02 of the new fiscal year when preparing the closing package. Instead, vouchers were reviewed on a daily basis, which led to some vouchers being omitted. The GAAP Closing Procedures Manual states that agencies must review vouchers paid in fiscal months 01 and 02 of the new fiscal year and invoices the agency plans to pay in the new fiscal year for goods/services received prior to June 30.

We recommend that ESC develop a systematic approach to ensure that all fiscal month 01 and 02 vouchers are reviewed when preparing the accounts payable closing package.

See agency response at page 12.

Financial Reporting

Employment Security Commission

The Comptroller General's Policies and Procedures Manual (STARS Manual) section 2.1.7.20 states that agencies with federal subfunds are required to perform monthly reconciliations between the State's Comptroller General (CG) CSA 467CM report (Trial Balance by Subfund, Project and GLA) and the agency's records for each project and phase code. We noted that the Employment Security Commission (ESC) did not perform monthly reconciliations for fiscal year 2000 as required. As a result, there is no process in place to detect and identify variances between ESC's books and the CG's accounting records. We compared ESC's schedule of federal financial assistance prepared from the agency's records to the CSA 467CM report and noted many differences that could not be readily explained. However, these differences are not material to the State's financial statements.

We recommend that ESC prepare monthly reconciliations of agency accounting records to the CG reports in a timely manner. The reconciliations should be documented in writing, in an easily understandable format with all supporting working papers maintained for audit purposes including the signatures of the preparer and reviewer and the dates of preparation and review. The reconciliation of parallel accounting systems assures that transactions are accurately processed by both the agency and the CG, strengthens the internal accounting controls for both the agency and the State, and assures proper classification of transactions presented in the State's financial statements.

See agency response at page 13.

DATA PROCESSING

Internet Tax Filing Reconciliation

Department of Revenue

Department of Revenue (DOR) staff cannot identify a detective control that should have been in place throughout the audit period to ensure tax returns filed via the Internet were processed on the mainframe. The lack of a control activity to ensure all Internet returns received are processed appropriately on the mainframe results in an increased risk that financial data received via the Internet may be processed inaccurately.

We recommend that appropriate internal control procedures be established around the processing of Internet filings. The control activity should ensure that transactions are reconciled to the mainframe in such a manner as to ensure completeness, accuracy and validity of all processing of Internet-filed returns. Once a control activity has been identified and put in action, specific personnel need to be assigned responsibility for the monitoring of the control activity to ensure the control is operating appropriately.

See agency response at page 14.

Disaster Recovery/Business Continuity

Office of Information Resources

The State Budget and Control Board - Office of Information Resources (OIR) has developed a statewide Disaster Recovery Plan (the Plan) to be used by all agencies supported by OIR and its affiliates. Our review of the statewide Disaster Recovery Plan disclosed the following weaknesses:

- The Plan is outdated and has not been tested in some time.
- The Plan includes teams with representatives from OIR for dealing with each aspect of a disaster. However, these teams do not include representatives from agencies, which would rely on the Plan in an emergency.
- It does not include roles and responsibilities for each team which detail the procedures to be followed in the event of an emergency.
- The Plan does not include a detailed list of critical hardware and software or an indication of the priority for restoring platforms and applications.
- There are no procedures governing how and when the Plan will be updated.
- The Plan fails to address business continuity for each particular agency during the interruption of computer processing.

OIR has recently consolidated the data centers for all participating State agencies into one central processing site. OIR has indicated it is committed to developing a new comprehensive disaster recovery plan for the consolidated data center, and has recently sent out requests for proposals to hot-site vendors. However, until a new Plan has been developed, a disaster at the State may result in data processing interruption for an unknown period of time. Additionally, several of the agencies we reviewed (Treasurer's Office and Department of Revenue) do not have up-to-date, customized business continuity plans to address critical activities during the interruption of computer processing.

Office of Information Resources (Continued)

We recommend that the OIR continue to develop a current statewide Disaster Recovery Plan. At a minimum, the plan should:

- Include a formal Business Impact Assessment, conducted by experienced user and technology management, to determine the critical systems to be protected and the associated information resources that need to be safeguarded by contingency plans.
- Ensure that key data processing applications can be restored within a period of time that does not result in significant interruptions to the operations of the State.
- Prioritize the recovery of the State's application systems in accordance with importance to continued business operations.
- Identify the resources necessary for recovery. Resources should include people, as well as terminals, personal computers, calculators, printers, desks, chairs, and office supplies.
- Document the manual processes that need to be maintained during the outage to ensure that application data integrity can be reinstated and synchronized once the systems are recovered and are operational.
- Include representatives of participating State agencies along with OIR representatives in teams to deal with potential disasters.
- Establish roles and responsibilities for each team which detail the procedures to be followed in the event of an emergency.
- Establish procedures for updating the Plan.

See agency response at page 16.

Security Policies and Procedures

Department of Health and Environmental Control

The South Carolina Department of Health and Environmental Control (DHEC) does not have formally documented security policies that are updated and communicated to all personnel. An effective written information security policy is important to ensure that information system resources are effectively secured according to the degree of related risk. Accompanying procedures are also necessary to ensure security controls are implemented according to management's objectives, and are applied consistently and effectively.

We recommend that DHEC develop formal information security policies and accompanying procedures and communicate the policies to all employees with access to computer systems. In developing the policies, management should:

- Review the types and uses of all system resources and classify them according to importance and sensitivity, and
- Provide user education and communication of the security policies.

Department of Health and Environmental Control (Continued)

DHEC should, at a minimum, document and implement security administration procedures which:

- Assign responsibility for maintaining and enforcing security administrative procedures.
- Define user responsibility for the information used and processed.
- Require written management approval for granting access authorities and ensure timely changes to employee access after terminations or transfers.
- Specify password requirements.
- Provide for periodic review of security violations.

See agency response at page 18.

Granting/Removal of Employee Access – AIMS

Department of Health and Environmental Control

During our review of procedures used for administering employee access to system resources, we noted that security administration procedures do not ensure that access capabilities are changed as employees leave a department and move into another department within DHEC. Accordingly, unauthorized or unintentional access to computer resources could occur. Currently, there is minimal monitoring when employees change departments, and there are no formal procedures for removing unnecessary responsibilities.

We recommend that DHEC implement procedures to ensure that systems access for transferred or terminated employees is updated or removed in a timely manner. Consider generating a list of terminated and transferred employees from the Human Resource system on a monthly basis and distributing the list to the data base administration manager for access updating/removal.

See agency response at page 18.

SUMMARY OF PRIOR YEAR FINDINGS

The findings included in the prior year report on compliance and on internal control over financial reporting at the general purpose financial statement level issued by the joint audit team were reviewed to determine if the conditions still existed. Based on our audit procedures we determined that the following findings had not been corrected: Revenue Estimation - Department of Health and Environmental Control (repeated in the Reportable Conditions section on page 3), Financial Reporting - Department of Social Services (repeated in the Reportable Conditions section on page 4), and Disaster Recovery/Business Continuity - Budget and Control Board Office of Information Resources (repeated in the Other Matters section on page 6).

MANAGEMENTS' RESPONSES



2600 Bull Street
Columbia, SC 29201-1708

December 21, 2000

Mr. Richard H. Gilbert, Jr., CPA
Director of State Audits
Office of the State Auditor
1401 Main Street, Suite 1200
Columbia, SC 29201

Dear Mr. Gilbert:

Please accept the following in response to the FY00 GAAP Closing Package audit recommendation on Revenue Estimation.

We concur with the recommendation for minimization of lapsed time between the service date and billing date. The Department has substantially reduced the lapsed time since the fiscal year ended June 30, 2000. Continued improvements are forthcoming as we fully implement the new Home Health Services System statewide.

The Department fully expects to have accurate and timely data when next years closing package is prepared. Should you or your staff have any further questions on this matter, please feel free to contact me at 898-3425.

Sincerely,

John T. Watson, CPA
Director of Finance



JIM HODGES, Governor
WILLIAM D. CATOE, Director

December 19, 2000

Mr. Rich Gilbert
Director of State Audits
State Auditor's Office
1401 Main Street
Columbia, SC 29201

Re: Fixed Asset Audit Comment

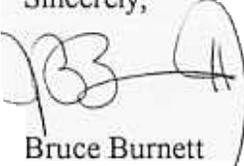
Dear Rich:

I have reviewed the attached reportable condition concerning a prior period adjustment to accumulated depreciation in the Prison Industries sub-fund. I agree with the auditor's explanation of the discovery and disclosure of the error.

In response to previous audit comments, we have incorporated the Prison Industries (PI) ledger and many of the accounting functions of PI into the Agency's accounting system. This error was detected as a result of this consolidation.

As recommended by the auditor's, we will continue to revise and review current policies and procedures to ensure that our closing packages accurately completed and ensure that our books properly reflect our fixed assets and accumulation depreciation.

If you have any questions, please call me at 896-1916.

Sincerely,

Bruce Burnett



SOUTH CAROLINA DEPARTMENT OF SOCIAL SERVICES

Elizabeth G. Patterson, J. D., State Director, P. O. Box 1520, Columbia, S. C. 29202-1520

December 27, 2000

Rich M. Gilbert, Director of State Audits
State Auditor's Office
1401 Main Street, Suite 1200
Columbia, SC 29201

Dear Mr. Gilbert:

We have reviewed the enclosed reportable condition as it relates to this Department as identified by the State Auditors during the joint GAAP audit of the State of South Carolina for SFY 2000.

The response to the Financial Reporting finding is, as follows:

Based on the time table established for the preparation and review of the Grant/Entitlement Receivables and Deferred Revenue Summary Form, the Department did not include the effect of the fiscal month 13 on the balances reported on this form. This form was based on fiscal year activity through June 30, 2000 using the Schedule of Federal Financial Assistance which had been reconciled to the general ledger as of that date.

To further improve the process for FY 2000-2001, the Department will work to close its books in sufficient time to enable staff to prepare the Receivables and Deferred Revenue Summary Form based on the final general ledger financial information. Additionally, the Department will work with state audit staff to improve the review process related to the explanation and documentation of variances between the Schedule of Federal Financial Assistance and the final general ledger.

Should you need additional information, please contact me or Michael B. Givens at 898-7325

Sincerely,

A handwritten signature in black ink that reads "Michael B. Givens for". The signature is written in a cursive style.

Cliff White

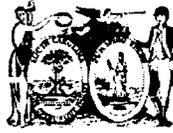
Director

Division of Budgeting Systems

CW:g

Enclosure

Employment Security Commission



COMMISSION
Carole C. Wells, Chairman
(803) 737-2655
McKinley Washington, Jr., Vice-Chairman
(803) 737-2656
J. William McLeod, Commissioner
(803) 737-2652

1550 Gadsden Street
Post Office Box 995
Columbia, South Carolina 29202

EXECUTIVE DIRECTOR
C. Michael Mungo
(803) 737-2617

December 27, 2000

Mr. Richard H. Gilbert, Jr.
Director of State Audits
State Auditor's Office
1401 Main Street, Suite 1200
Columbia, South Carolina 29201

Dear Mr. Gilbert:

As requested, the following is the response regarding the South Carolina Employment Security Commission's Fiscal Year 2000 GAAP Accounts Payable Closing Package audit recommendation. We concur with the recommendation to develop a systematic approach to ensure all fiscal month 01 and 02 vouchers are reviewed.

After a careful study of the current method of reviewing the vouchers, we have determined that a daily report, listing all vouchers over \$250, will ensure accuracy when collecting information for the Accounts Payable Closing Package. Using a daily report will also enable the Employment Security Commission to have a written log of all vouchers processed and forwarded to the Comptroller General's Office for payment on each working day in fiscal months 01 and 02. We are coordinating with our programmer at this time to develop the report.

Should you or your staff have any questions, or if additional information is needed, please contact the Finance Department at (803) 737-2560.

Sincerely,



Charles D. Reeves
Director of Fiscal Affairs

CDR:sc

Employment Security Commission



1550 Gadsden Street
Post Office Box 995
Columbia, South Carolina 29202

COMMISSION
Carole C. Wells, Chairman
(803) 737-2655
McKinley Washington, Jr., Vice-Chairman
(803) 737-2656
J. William McLeod, Commissioner
(803) 737-2652

EXECUTIVE DIRECTOR
C. Michael Mungo
(803) 737-2617

January 5, 2001

Mr. Richard H. Gilbert, Jr.
Director of State Audits
State Auditor's Office
1401 Main Street, Suite 1200
Columbia, South Carolina 29211

Dear Mr. Gilbert:

As requested, the following is the response regarding the State of South Carolina's statewide joint audit of the general purpose financial statements, relating to the Fiscal Year 1999-2000 financial packages submitted by the Commission.

Reconciliation related finding: The Commission does not reconcile its accounting records to the CSA467CM Report for some of its federal programs.

Response: The Commission has taken steps to implement procedures to timely prepare a reconciliation of the agency accounting records to the Comptroller General's reports in a timely manner. This currently involves creating and expanding our current electronic spreadsheets of agency accounting records and Comptroller General's reports to an easily understandable format. Also involved is the upgrading of the current electronic spreadsheets to an automated process in Fiscal Year 2001-2002.

If there are any questions, or if additional information is needed, please contact the Finance Department at (803) 737-2560.

Sincerely,



Billy R. Martin
Manager of Fiscal Systems

BRM:sc

State of South Carolina
Department of Revenue
301 Gervais Street, P.O. Box 125, Columbia, South Carolina 29214

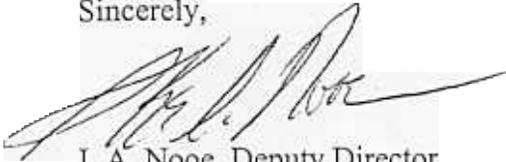
December 8, 2000

Mr. Richard H. Gilbert, Jr., CPA
Director of State Audits
Suite 1200
1401 Main Street
Columbia, South Carolina 29201

Dear Mr. Gilbert:

In response to the Deloitte and Touche LLP Enterprise Risk Services Information Systems Audit for the year ended June 30, 2000, we have reviewed the observations and recommendations which were provided. Attached are the management comments.

Sincerely,



I. A. Nooe, Deputy Director

cc Elizabeth Carpentier, Director
Otis Rawl, Deputy Director
Harry Cooper, Deputy Director
Sarah White-Harvey, Deloitte and Touche

**Deloitte & Touche LLP Enterprise Risk Services
Information System Audit
South Carolina Department of Revenue
Year Ended June 30, 2000**

INTERNET TAX FILING RECONCILIATION

Department of Revenue (DOR) staff cannot identify a detective control that was in place throughout the audit period to ensure tax returns filed via the Internet were processed on the mainframe. The lack of a control activity to ensure all Internet returns received are processed appropriately on the mainframe results in an increased risk that financial data received via the Internet may be processed inaccurately.

RECOMMENDATION

Ensure that appropriate internal control procedures have been established around the processing of Internet filings. The control activity should ensure that transactions are reconciled to the mainframe in such a manner as to ensure completeness, accuracy and validity of all processing of Internet filed returns. Once a control activity has been identified and put in action, specific personnel need to be assigned responsibility for the monitoring of the control activity to ensure the control is operating appropriately.

MANAGEMENT COMMENTS

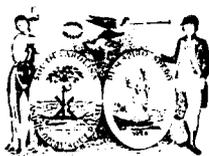
Internet Services will coordinate with the primary filing section to implement a reconciliation process to ensure that the number of actual returns filed on SCnet File matches the number of returns processed on the mainframe.

STATE OF SOUTH CAROLINA
State Budget and Control Board
OFFICE OF INFORMATION RESOURCES

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COMPTROLLER GENERAL



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CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT W. HARRELL, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

RICK KELLY
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RPARSON@OIR.STATE.SC.US

J. REGIS PARSONS
DIRECTOR

December 14, 2000

Richard H. Gilbert, Jr., CPA
Director of State Audits
Suite 1200
1401 Main Street
Columbia, SC 29201

Dear Mr. Gilbert:

The State Data Center is working on developing a disaster recovery process and plan to provide support for the mainframe systems running on the two Hitachi Pilot processors located at 4430 Broad River Road, Columbia, SC.

The fundamental plan for recovery from a disaster is based upon the following assumptions.

1. The equipment and building at 4430 Broad River Road housing the two processors and associated equipment will not be available.
2. The State will have a contracted disaster recovery service in place to provide off site access to the same amount of processing power and disk space currently in use at the State Data Center.
3. The state network will be reactivated to a network recovery hot site located at 1026 Sumter St. in Columbia, SC, with connectivity to the disaster recovery service provider.
4. The communication links to the recovery service and the network hot site will be active and in place so that within 72 hours of a disaster the State can process applications.

In developing a disaster recovery process and plan the State Data Center will follow the below agenda.

1. Engage a disaster recovery service provider to provide hardware support at a remote site.

2. Develop specifications for a network recovery hotsite in Columbia, South Carolina, to support the network connectivity needs.
3. Develop a disaster recovery plan to switch data processing to the service provider in the event of a disaster.
4. Work with the users of the State Data Center to define priorities for application system restoration. Include this information in the recovery plan.
5. Identify resources necessary for recovery operation and document in the plan.
6. Establish testing and plan for updating procedures and hardware requirements to reflect the changing needs of the State.

The status of the efforts for the development of disaster recovery support include the following.

1. The State Data Center is negotiating now a contract with HDS/Sungard for disaster recovery services through the Sungard Data Center in Philadelphia, PA. We anticipate the contract to be executed by 12/30/2000.
2. The State Data Center has defined the hardware and physical requirements for the network recovery hotsite and immediately will work on acquiring the hardware once we have a contract with the service provider.
3. The State Data Center has contracted for consulting services from a disaster recovery expert who is advising the state on the service provider contract and the associated recovery plan functionality.

In summary, the State Data Center is actively working on implementing a disaster recovery process that will provide recovery support for information systems supported by the State Data Center within 72 hours of a disaster. The State Data Center is working towards having a disaster recovery process and plan in place by the second quarter of 2001.

Warm regards,



David Gerth
Deputy Director
Information Systems Operations



PROMOTE PROTECT PROSPER

2600 Bull Street
Columbia, SC 29201-1708

COMMISSIONER:
Douglas E. Bryant

December 8, 2000

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Larry R. Chewning, Jr., DMD

Mr. Richard H. Gilbert, Jr., CPA
Director of State Audits
Suite 1200
1401 Main Street
Columbia, SC 29201

Dear Mr. Gilbert:

We have reviewed the comments relating to the Department of Health and Environmental Control which resulted from the Deloitte & Touche audit for the year ended June 30, 2000. We appreciate the professionalism displayed by the audit staff and we have enclosed our responses to the management comments.

Sincerely,

R. Douglas Calvert
Chief Operating Officer

Attachment

cc Sarah White-Harvey, Deloitte & Touche
John T. Watson, CPA, Director, Bureau of Finance
Bob Arndt, Director, Bureau of Information Systems November 29, 2000

Security Policies and Procedures

We agree that an updated Security Policy is needed and we will begin development. Over the years, additional computer platforms have been implemented into the Agency's computing network and we have not only the IBM mainframe computer, but also the AIMS/ORACLE environment, the AS-400 environment, all of the Local Area Networks (LANs) and Windows N/T Database Servers. A single corporate policy for these diverse systems will be developed.

Currently, the main entry screen for mainframe access has a Net Manager option that lists all the mainframe applications. The option is available to all users with mainframe access and each application has a documentation page that explains what the application is and details the procedures needed to gain access. The content of these pages changes as the procedures change and we rely upon users' open access to the on-line documentation rather than numerous hard copies required to accomplish the same task.

Each system added to a platform is always subject to security restrictions requested by the originating sponsor and access always requires sign-off by the sponsor, stating the level of security access before any user can gain access. Application owners are responsible for notifying IS security of the degrees of access available to all of their users. Additionally, all employees are required to sign confidentiality statements to emphasize the need for restricted use of information. Password requirements vary between the different operating systems and those are documented in the operating procedures of the different systems.

Because of staff and time constraints, these various procedures have not been pulled together into a single operating procedures manual. Through operating and business practices, access is tightly restricted and we believe that the level of security is appropriate for the intended use for each of the applications.

Granting/Removal of Employee Access – AIMS

A monthly listing of terminated employees is already produced and those with AIMS access are removed. Because of the lack of work responsibility information on the transfers, it will not be practical to use names from that file. However, IS will communicate the need for all supervisors of a transferred position to notify central management of the transfer so that adjustments to the person's security access can be changed.