

APPENDIX D

AGENCY RESPONSE TO REPORT

U.S. Department of Labor

Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210



SEP 23 2008

MEMORANDUM FOR: ELLIOT P. LEWIS
Assistant Inspector General for Audit

FROM: BRENT R. ORRELL *Brent R. Orrell*
Deputy Assistant Secretary

SUBJECT: The Federal/State Unemployment Insurance
Partnership Needs Enhanced Federal Oversight to
Establish Reliable Information Technology
Contingency Plans; Draft Audit Report Number: 23-
08-004-03-315

Thank you for the opportunity to respond to your draft report cited above. The Employment and Training Administration (ETA) shares your view that effective state information technology (IT) contingency plans are vitally important to ensure that eligible unemployed workers receive unemployment insurance (UI) payments following IT failures caused by disasters or other disruption of normal operations.

In preparation for Year 2000 (Y2K), ETA made a significant investment (approximately \$200 million) of Federal funds to ensure state UI systems would not be disrupted. These efforts included disaster recovery, contingency, and business continuity of operations plans. Because specific funds were provided for these purposes, ETA required and received evidence from each state that these plans had been verified and validated by an independent entity and tested.

In the eight years since Y2K, ETA has relied upon assurances provided by states as a part of their UI administrative grant agreements that they have Disaster Recovery and Automated Information Systems Security plans. In addition, ETA has continued to take a leadership role with states in promoting strategies to minimize service disruptions, operations, and services to UI beneficiaries. These efforts have included the following:

- Providing states with a compact disk (CD) and an Executive Manager's Paper on current IT Security guidance (2004 - 2006). The CD and paper included:

- a. Current National Institute of Standards and Technology (NIST) guidance which included NIST Special Publication (SP) 800-34, *Contingency Planning Guide for Information Technology System*;
 - b. Office of Management and Budget (OMB) Circulars which included OMB A-130, *Management of Federal Information Resources, Appendix III, Security of Federal Automated Information Resources*;
 - c. Federal Information Processing Standards Publications (FIPS Pub);
 - d. IT Security Federal Laws including *The Federal Information Security Management Act of 2002 (FISMA)*; as well as
 - e. An automated self-assessment application (2005 – 2006) (ASSET) [which followed NIST guidelines] and a manual self-assessment process NIST SP 800-53, *Recommended Security Controls for Federal Information Systems* (2005 – 2007)
- Promoting best practices in disaster recovery and IT contingency planning at national conferences of state UI officials and staff in 2003, 2005, and 2007.
 - Developing a report outlining lessons learned from the 2005 hurricanes and containing a set of recommendations concerning disaster preparedness planning including continuity of operations plans. The report "National Unemployment Insurance (UI) Disaster Preparedness Effort" has been completed and is posted to the ETA Web site at: <http://www.ows.doleta.gov/unemploy/pdf/prepared.pdf>
 - Developing, with state staff participation, guidance and procedures for states to include in their respective state-wide continuity of operations plans. The guidance will be completed by the end of 2008.
 - Developing a set of protocols, methods, and tools to materially assist a state whose UI claims processing capacity has been rendered temporarily insufficient by a "massive unemployment event" that exceeds its own IT capacity, and therefore, requires interstate assistance. The project will be completed early 2009.

Within available resources, we believe that ETA has provided states with strong guidance and leadership related to IT contingency planning over the past eight years. We also agree that ETA's oversight of state IT contingency planning would be greatly strengthened by implementation of the OIG's recommendations to (1) create a comprehensive framework which includes minimum standards for the implementation of critical control elements for IT disaster recovery and contingency planning, and (2) develop and implement a monitoring and review

process to ensure that SWA IT contingency plans will provide adequate support to critical UI program functions.

However, implementation of these recommendations would be quite resource intensive. While funds were provided for IT contingency planning development, testing, and validation for Y2K, few additional funds have been available for these purposes since that time. We estimate the one-time cost (all states) for plan development at about \$17 million, and annual costs of about \$5.3 million for independent verification and validation to ensure that plans meet appropriate standards and for state staff to up-date, maintain and test plans annually. Overall funding for UI, like many other programs, has declined in recent years; there has been no inflation adjustment for UI state administration since 1995.

Please be assured that ETA will implement the recommendations of this report to the extent that resources allow. We share your concern that states have adequate IT contingency and disaster recovery plans in place to ensure that UI benefits would continue to be provided in any state impacted by a disaster or other disruption in order to avoid a negative impact on eligible unemployed workers, their families, and communities.