

# LEGISLATIVE AUDITOR

STATE OF LOUISIANA

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DEPARTMENT OF INSURANCE

STATE OF LOUISIANA

BATON ROUGE, LOUISIANA

AUDIT REPORT  
ISSUED MAY 19, 2004

**LEGISLATIVE AUDITOR  
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April 28, 2004

**HONORABLE J. ROBERT WOOLEY**  
**COMMISSIONER OF INSURANCE**  
**DEPARTMENT OF INSURANCE**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Department of Insurance. Our procedures included (1) a review of the department's internal control; (2) tests of financial transactions for the period from July 1, 2002, through April 28, 2004; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the period from July 1, 2002, through April 28, 2004; and (4) a review of compliance with prior year report recommendations. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected departmental personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed a recommendation for improvement. We then discussed our finding and recommendation with appropriate management personnel before submitting this written report.

The Annual Fiscal Reports of the Department of Insurance were not audited or reviewed by us, and, accordingly, we do not express an opinion on these reports. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior audit report on the Department of Insurance, dated December 11, 2002, we reported findings relating to unauthorized services provided to the suspended insurance commissioner, improper contracting with former employees, lack of control over payroll records, and insufficient information technology policies. The findings relating to unauthorized services provided to the suspended insurance commissioner, improper contracting with former employees, and lack of control over payroll records have been resolved by management. The finding relating to insufficient information technology policies has been partially resolved and is addressed again in this report as insufficient disaster recovery plan.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

**Insufficient Disaster Recovery Plan**

The Department of Insurance does not have a sufficient disaster recovery/contingency plan to provide for continued business processing functions in the event that normal data processing facilities are unavailable for an extended period of time. The current disaster recovery/contingency plan was written over eight years ago and does not reflect the current conditions of the department's system. Good internal control requires that the department develop a written and functional recovery plan that will allow for continued operation of critical

services in the event of an unexpected interruption. In addition, provisions of the plan should be tested periodically to ensure a timely and orderly return to regular operations.

The Department of Insurance has addressed issues related to file back-up and offsite storage. However, without an updated plan the risk is increased that in the event of a disaster, critical data may be lost and there may be an untimely or excessive delay in processing critical data. The department should develop a disaster recovery plan that identifies critical system hardware, software, and telecommunication components. The department should also test the plan to ensure that it provides for an orderly restoration of services in the event of an unexpected interruption in operations. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 1-2).

The recommendation in this report represents, in our judgment, that most likely to bring about beneficial improvement to the operations of the department. The nature of the recommendation, its implementation cost, and its potential impact on the operations of the department should be considered in reaching a decision on a course of action.

This report is intended solely for the information and use of the Department of Insurance and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Grover C. Austin, CPA  
First Assistant Legislative Auditor

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# MANAGEMENT'S CORRECTIVE ACTION PLAN AND RESPONSE

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April 19, 2004

Mr. Grover C. Austin, CPA  
First Assistant Legislative Auditor  
1600 North Third Street  
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Re: Response to Audit Finding  
"Insufficient Disaster Recovery Plan"

Dear Mr. Austin:

The Department of Insurance concurs with the finding regarding "Insufficient Disaster Recovery Plan" and offers the following response:

The Department of Insurance is currently in the process of developing a disaster recovery/contingency plan to provide for continued business processing functions in the event that normal data processing facilities are unavailable for an extended period of time.

The following is a list of steps the Department has taken to establish a disaster recovery/contingency plan:

- February 13, 2003 - the Department moved to the Julian Poydras building. Concurrent with the move, the Department reconfigured its servers to conform to ACT 772 of the 2001 Regular Session. The move and the reconfiguration of servers rendered all existing disaster recovery plans obsolete.
- March 19, 2003 - the physical location of all production servers on the network was finalized.
- April 22, 2003 - the Department submitted to the Office of Contractual Review a contract to provide risk assessment, likelihood analysis, and impact analysis of potential disasters and events. In July 2003, this contract was returned to the Department by the Office of Contractual Review with "no action taken".
- April 30, 2003 - the Department entered into a contract which included the review and evaluation of the Department's financial processes, application processes, and systems operations. The results of the review and evaluation (delivered on June 30, 2003) will be used as input to the Department's comprehensive disaster recovery and business continuity plan.

Mr. Grover C. Austin, CPA  
March 16, 2004  
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- September 2003 - the Department solicited proposals and entered into a contract on January 5, 2004 to:
  - 1) Conduct a systems inventory
  - 2) Conduct an applications inventory
  - 3) Assess potential risks
  - 4) Conduct a business impact analysis
  - 5) Conduct a storage assessment
  - 6) Conduct a communication and connectivity assessment
  - 7) Conduct a security assessment
  
- November of 2003 - the Department requested funding in the FY 2004-2005 budget for a disaster recovery and business continuity plan. The request included funding to develop and implement a plan, maintenance and periodic testing, and the acquisition of two storage area networks to provide for real time mirroring of all mission critical systems.

It is the intent of the Department to use the reviews and evaluations of these contracts to develop a Request for Proposal to implement, test, and maintain a comprehensive disaster recovery and business continuity plan. Implementation of the plan is scheduled for FY 2004-2005.

Please call me at 342-5423 if you have any questions or would like to discuss our responses and/or corrective actions.

Sincerely,



J. Robert Wooley  
Commissioner of Insurance

JRW/CMB/gs