

2013 HOUSE POLITICAL SUBDIVISIONS

HB 1159

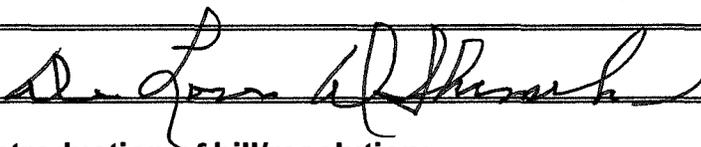
2013 HOUSE STANDING COMMITTEE MINUTES

House Political Subdivisions Committee Prairie Room, State Capitol

HB 1159
January 25, 2013
Job # 17752

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

An Act to provide an appropriation to the state auditor for additional vulnerability testing of state computer networks.

Minutes:

Chairman N. Johnson: Opened the hearing on HB 1159.

Rep. Streyle: Introduced the bill. All this does is right now ITD does a vulnerability penetration security assessment once a biennium. I think it is a good practice. The health care and financial industry are required by law to do it annually I think they are very helpful. There is some time commitment to doing it every year but what it does is they hire a firm to go out and do a penetration test and try to hack your network to find any vulnerability and then report those vulnerabilities back to you. Then you would fix them. Every year the state network would be tested for vulnerabilities. That is what it is. There is \$150,000 fiscal note. We would rotate the company used each year so that we would not use the same company every biennium so there would be a fresh set of eyes on it.

Rep. Koppelman: Is there anything in the bill that requires using different consultants each year?

Rep. Streyle: No it doesn't specifically say that. ITD said that would be the practice they would use. It just makes sense to do that.

Rep. Kathy Hogan: Do you have any idea how other states are doing this?

Rep. Streyle: No I don't. I did not look into that. I think that is an important practice every year so I did not look into that specifically.

Rep. Klemin: How did you arrive at the figure of \$150,000?

Rep. Streyle: That is what the current allocation is for the biennium so what the fiscal staff did is basically is just take that times two. I may be less than that depending on what the bids are.

Opposition: None

Neutral:

Rep. Hatlestad: These audits that go on during the two year period; how much vulnerability has the state system shown in the past? Is it necessary to do it every year?

Lisa Feldner, ND ITD: We appreciate what the audits show every other year. We have had very good audits. The biggest risk in security is what is called spearfishing when they target people in an email to say we are something that is close to that employees heart and they fake the email and they say your PERS account is chosen to use and they try to get the employee to enter their user name and password so the employee because they are a PERS employee they will do it because they forget that we have security training all the time and we don't ever want them to enter their user name and password in an email. That is always where we get caught and we have on going security training, but that is our biggest security risk. Those are the audit findings that they typically catch us on. I think annually is a good idea. ITD budgets for the security on the network and those types of things and the auditor's office does the outside party that comes in to look at that.

Rep. Klemin: It seems like the big cases always get out attention. Two days ago I got an automated call at my home from a credit card company that I use telling me there was a breach in their system somewhere and they said I am getting a new credit card. I am assuming it was a major thing because it wasn't a personnel call or anything; they just are sending out a telephone message to all of their credit card holders. I think that is much more concern than spearfishing one or two on an individual basis and isn't that what your vulnerability thing is really trying to prevent?

Lisa Feldner: A little bit of both. The contractor comes in and goes through the servers and they have hacking software that they try and use to penetrate your servers and networks and systems as well as the spearfishing. The spearfishing however is the piece that if they get in and get a user name and password of a computer operator they can take all those records. That is why it is the most dangerous. That is what has happened in other credit card companies that have lost data or in the case of Utah had a security breach in the Medicaid system last year and they got in through a system administrators account and took those records.

Rep. Klemin: These hackers keep getting more advanced and the anti-hackers have to get more and more advanced and it is a continuing cycle so maybe \$150,000 is a good investment.

Rep. Koppelman: What is the purpose of the audit?

Lisa Feldner: When the report comes back from the auditing company it will identify if there is spearfishing attacks were successful and what agency and employees were doped. Then there is training on what happened and try to prevent it happening again. Those spearfishing warning you get; somebody has reported to the help desk that they just got a spearfish and then they email everyone to say don't fall for this one.

Rep. Koppelman: Sounds like the audit isn't resulting in any technological change that either helps resolve the problem or prevent the issue in the future. They make you aware of what you already knew.

Lisa Feldner: Occasionally we will find vulnerabilities in other outside servers that we don't cover so there are good findings regardless.

Rep. Koppelman: If you do these audits every year what are we doing as a result of the audits to shore up the system other than just educating individuals? Are we doing something technologically to prevent this?

Lisa Feldner: Yes, ITD has a security budget and we have three analysts that that is all they do. They do a lot of security training. We partner with a cyber-security team at the homeland security and they provide us all the national top secret vulnerability things that are going on so we can be proactive. If we need to purchase new tools we have a budget within ITD to do that.

Rep. J. Kelsh: Do you presently rotate the people you use to do the audits?

Lisa Feldner: The auditor's office chooses the vendor.

Rep. L. Meier: Typically how long does the audit take?

Lisa Feldner: About two to three weeks.

Rep. L. Meier: How long after the audit do you receive the reports?

Lisa Feldner: They present their audit findings about a month. They present their findings to the legislative IT committee as well as us and the state information technology advisory committee.

Rep. L. Meier: Then after that you assess what needs to be done and if you need to go out to the agencies and work with the personnel on how to attempt to resolve that.

Lisa Feldner: The auditor's office will also notify the agencies if there was a finding within that agency. We don't do that. We will help the agency with whatever it was.

Rep. Kathy Hogan: What are the major problems that you have actually seen?

Lisa Feldner: Mostly it is the email attack and we have not had any breaches of security and have not lost any records.

Rep. Looyesen: Do you know in Utah the amount of dollars it cost the state to fix the attack? How much would it cost the state to try and fix these attacks?

Lisa Feldner: I can't remember Utah's figure. South Carolina had a breach and they have a different structure than Utah and North Dakota. They don't have a consolidated IT infrastructure and every agency does their own thing and has their own servers and

network and they were breached and their revenue department about three months ago is up to \$30 million so it is a big deal. Utah is consolidated more like we are and they lost some Medicaid records and they blamed it on the fact they did not have enough security in their budget but it isn't anything near the \$30 million number that South Carolina had.

Hearing closed.

Do Pass Motion Made by Rep. Maragos: Seconded by Rep. Beadle:

And rerefer to appropriations.

Chairman N. Johnson: After listening to the testimony I think it would be a good investment if it prevents having the system breached.

Rep. Beadle: Look at the advancement in technology every two years and the speed of where stuff is adapting and moving. \$150,000 is an appropriation which is fairly sizeable but if they get into tax department or Medicaid it doesn't just have an effect on the state, but it does on the citizens of the state as well so it is a good investment.

Vote: 13 Yes 0 No 2 Absent Carrier: Rep. Toman:

Closed.

Date: 1-25-13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1159

House Political Subdivisions Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Maragos Seconded By Rep. Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Nancy Johnson	✓		Rep. Ben Hanson	✓	
Vice Chairman Patrick Hatlestad	✓		Rep. Kathy Hogan	✓	
Rep. Thomas Beadle	✓		Rep. Jerry Kelsh	—	
Rep. Matthew Klein	✓		Rep. Naomi Muscha	✓	
Rep. Lawrence Klemin	✓				
Rep. Kim Koppelman	✓				
Rep. William Kretschmar	✓				
Rep. Alex Loosten	✓				
Rep. Andrew Maragos	✓				
Rep. Lisa Meier	✓				
Rep. Nathan Toman	✓				

Total (Yes) 13 No 0

Absent 2

Floor Assignment Rep. Younman

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1159: Political Subdivisions Committee (Rep. N. Johnson, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (13 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1159 was rereferred to the Appropriations Committee.

2013 HOUSE APPROPRIATIONS

HB 1159

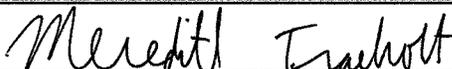
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1159
2/6/13
Job 18402

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation to the state auditor for additional vulnerability testing of state computer networks.

Minutes:

You may make reference to "attached testimony."

Chairman Delzer called the committee to order and a quorum was declared. We will start work on 2-day (committee) rereferred bills. These will not be hearings. We may also try to work some previous bills if time allows, or discuss the state employees' pay package. We'll start with HB 1159.

Rep. Nancy Johnson, District 37: Introduced the bill.

03:25

Chairman Delzer: Did you ask how much they currently pay on the biennial testing?

Rep. Johnson: We did not. IT gave us this suggestion of \$150,000.

Chairman Delzer: Were the auditor's office and IT in support of this?

Johnson: Rep. Streyle was in support, there was no opposition, IT was neutral.

Chairman Delzer: Questions by the committee?

Rep. Kempenich: The auditor's office in their budget is asking for an FTE on an information system auditor, for \$124,367. I don't know if it's for this. We haven't finished our discussion with them yet.

Chairman Delzer: We will drop this into your section (government operations) so you can look at it and bring it back to the full committee.

Rep. Streyle: This is a third party contractor, there is no FTE needed for this. This is bidding a contract. The appropriation is for one during the biennium, so we are doubling it for two, because I think this is an extremely important issue.

Chairman Delzer: Where did you come up with the \$150,000?

Rep. Streyle: That is what the price is historically. It's already in their budget for once a biennium, this would make it every year, so it's another \$150,000.

Rep. Skarphol: I agree this is important, but I'm not sure the language is exactly what we want. I think it is important to have a different vendor than is currently doing it, for a different perspective every other year.

Chairman Delzer: You may want to get an amendment drafted. Anything further? Thank you. The committee continued on to the next bill.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1159
2/12/13
18833

Conference Committee

Committee Clerk Signature

Meredith Tracholt

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation to the state auditor for additional vulnerability testing of state computer networks.

Minutes:

You may make reference to "attached testimony."

Chairman Delzer: This is the bill for essentially an annual security inspection of our IT system.

Rep. Streyle: One every two years is not even close to industry standard. Every year is a must, especially with the confidential data that is sitting there. This says they have to do it annually; it's already in the budget to do it once a biennium. This would do a penetration test from the outside, they come in-house and do internal vulnerability testing against the machines, and also do the social engineering side. If this could be amended into the budget of the auditor's department, I'm fine with that, too.

Chairman Delzer: Do you think there is any opportunity if we were to do it in the budget to reduce the cost?

Rep. Streyle: I could see maybe 250 or a smaller number. Not knowing what the bids come in, and if they use the full 150 every time, I'm not sure. I would also like to require them to use a different vendor. You want a different set of eyes on it all the time.

Rep. Skarphol: I agree 100%. If we approve the bill, we should put in provisions that they cannot use the same vendor on a continuous basis.

Chairman Delzer: We have a decision to make. I would prefer we took care of this in the auditor's budget. If it stands alone, it could die on the Senate side. If it makes it through, it could end up in conference.

Rep. Kempenich: I talked to the auditor's office about this bill. It's not their priority, but that's not their call. ITD has been running internals continuously. If you're looking for holes, it's an ongoing process. The check is only good for the time you do it. Frequency can help, but how frequent is frequent? There are industry standards we can use as guidelines.

Rep. Streyle: That is true, it is only that window in time. But if that window in time is 24 months, I think saying every year you must use a different vendor it will drive down the cost. Moving it to 250 in the auditor's budget might be the appropriate thing to do. If you spend \$125,000 per test and don't ever see anything, that's good. If we have a breach, it will be 50 times this amount, so it's a good insurance policy to have. It also provides coverage to ITD as well, we know they did their due diligence and tested the network.

Chairman Delzer: I'd like to move some of these bills through. If we're going to do this in the auditor's budget, I'd like to but a Do Not Pass on this bill today.

Rep. Streyle: I don't have any problem sending a Do Not Pass if we work on this in the auditor's budget.

Rep. Glassheim moved Do Not Pass, seconded by **Rep. Skarphol**.

Chairman Delzer: Further discussion? Seeing none, a roll call vote was done. The motion carried 21 Yes, 0 No, 1 Absent. **Rep. Skarphol** will carry the bill.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1159
February 15, 2013
Recording Job# 19056

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A Bill for an Act to provide an appropriation to the state auditor for additional vulnerability testing of state computer networks.

Minutes:

Chairman Thoreson: Opened the discussion on HB1159.

Representative Hawken: Made a motion for a "Do Not Pass".

Representative Kempenich: Seconded the motion.

Chairman Thoreson: This has an amount of \$150,000.00 but the total amount would be something different. Is that correct?

Representative Kempenich: I said \$275,000.00. There's two audits and they figured we could trim \$50,000.00 off.

Representative Hawken: Two audits from two different places?

Representative Kempenich: Yes. You probably won't have the savings because you'll be using two different firms.

A roll call vote was taken. 6 Yeas 0 Nays 1 Absent.

Representative Hawken: Carried the bill.

Chairman Thoreson: Closed the discussion.

Date: 2/12/13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1159

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Glassheim Seconded By Rep. Skarphol

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Rep. Streyle	X	
Vice Chairman Kempenich	X		Rep. Thoreson	X	
Rep. Bellew	X		Rep. Wieland	X	
Rep. Brandenburg	X				
Rep. Dosch	X				
Rep. Grande	X		Rep. Boe	X	
Rep. Hawken	X		Rep. Glassheim	X	
Rep. Kreidt	X		Rep. Guggisberg	X	
Rep. Martinson	X		Rep. Holman	X	
Rep. Monson	X		Rep. Williams		
Rep. Nelson	X				
Rep. Pollert	X				
Rep. Sanford	X				
Rep. Skarphol	X				

Total Yes 21 No 0

Absent 1

Floor Assignment Rep. Skarphol

If the vote is on an amendment, briefly indicate intent:

2013 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB1159

House Appropriations - Government Operations Division Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Representative Hawken Seconded By Representative Kempenich

Representatives	Yes	No	Representatives	Yes	No
Chairman Thoreson	X		Representative Glassheim	X	
Vice Chairman Brandenburg	X		Representative Guggisberg		
Representative Kempenich	X				
Representative Hawken	X				
Representative Sanford	X				

Total (Yes) 6 No 0

Absent 1

Floor Assignment Representative Hawken

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1159: Appropriations Committee (Rep. Delzer, Chairman) recommends DO NOT PASS (21 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1159 was placed on the Eleventh order on the calendar.