## **Minnesota State Lottery**

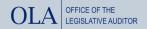
Performance Audit November 21, 2024





## **Minnesota State Lottery Overview**

- Established in 1989
- · Contracts with retailers to sell lottery tickets
- Excluded from MNIT responsibility and oversight
- Net proceeds fund the State of Minnesota:
  - Environment and Natural Resources Trust Fund
  - General Fund



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### **Lottery Gaming Systems (pp. 15-16)**

- Gaming systems supported by third parties
- Security requirements dictated by the Multi-State Lottery Association (MUSL)



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### **Audit Objectives and Scope**

#### **Objectives**

Did the Minnesota State Lottery:

- · Have adequate internal controls?
- · Comply with significant legal requirements?
- Have appropriate security administration procedures and controls?
- · Resolve prior audit findings?

#### Scope

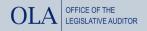
• July 1, 2021 – December 31, 2023



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### **Audit Results**

- · Generally did not have adequate internal controls
  - IT focus on controls
- Generally complied with significant legal requirements
  - Identified some notable concerns



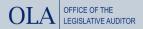
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## **Status of Prior Audit Findings (p. 9)**

Last audited by OLA in 2016 – 9 findings:

- 5 resolved
- · 3 partially resolved
- 1 not part of audit scope



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### **IT-Related Audit Areas**

- Gaming systems
- Physical security
- · Access management
- Network security
- Vulnerability and configuration management
- Incident response and disaster recovery



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## **Lottery Physical Security (pp. 30-31)**

#### **Findings**

- No audit and review of unauthorized access attempts
- Third-party security guard temporary badge not logged

#### Recommendations

- Develop and document audit and response procedures
- Security director should oversee regular audits of access
- · Ensure third-party security guards adhere to policies and procedures for temporary badges



### System Access Management (pp. 37-38)

### **Findings**

- No annual review of all access
- · Inadequate separation of duties

#### Recommendations

- · Perform annual review of all systems and accounts
- Ensure separation of duties among IT staff



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### Password (p. 39)

### **Finding**

Implemented password requirements did not match written policy requirements

#### Recommendations

- Implement password requirements according to its policy
- · Ensure password policies are properly enforced for all user accounts



### **Vulnerability and Configuration Management** (pp. 40-41)

### **Finding**

Vulnerability and configuration management program does not meet best practices

#### Recommendations

- · Develop procedures to consistently log, track, and resolve vulnerabilities based on severity
- Develop vulnerability metric reports for management
- Implement configuration compliance scanning

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## Incident Response and Disaster Recovery (pp. 42-43)

### **Finding**

Inadequate documentation, testing, and staff training for response to a significant incident

#### Recommendations

- Improve incident response procedures
- Ensure post-incident reviews are documented and include all stakeholders
- Perform regular testing and training on incident response and disaster recovery plans and procedures

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### **Other Audit Areas**

- · Lottery retailers
- Scratch games
- · Employee background checks
- Management survey

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## Retailer Background Checks (pp. 19-20)

### **Finding**

No verification that retailers do not have disqualifying convictions

#### Recommendation

Verify that retailers have not been convicted of disqualifying crimes Disqualifying convictions within the previous 5 years

- Felony
- Gross misdemeanor
- Fraud
- Misrepresentation
- Gambling-related offense

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## Late Renewal of Retailer Contracts (p. 23)

### **Finding**

Retailers with expired contracts continued selling tickets

#### Recommendations

- Do not permit retailers with expired contracts to sell tickets
- · Implement controls to ensure contracts are renewed prior to their expiration date

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## **Lost or Stolen Scratch Game Tickets** (pp. 27-28)

### **Finding**

Not charging retailers for lost or stolen tickets

#### Recommendation

Comply with Minnesota rules and charge retailers for lost or stolen tickets

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## Survey of Lottery Employees (pp. 45-49)

Value Employee Input		
Executive Leadership	52% disagree or strongly disagree	
Direct Supervisor	81% agree or strongly agree	

Appropriate Responses to Concerns		
Executive Leadership	78% responded no	
Human Resources	77% responded no	
Direct Supervisor	54% responded yes	



# Minnesota State Lottery

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