

Minnesota State Lottery

Performance Audit
November 21, 2024

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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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State of Minnesota
2

Lottery Gaming Systems (pp. 15-16)

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



Central Gaming System



Internal Control System



Retailer Terminals

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

Audit Results

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

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

IT-Related Audit Areas

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

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

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

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

Other Audit Areas

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

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

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

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

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

www.auditor.leg.state.mn.us