

Office of the Legislative Auditor (OLA) Overview

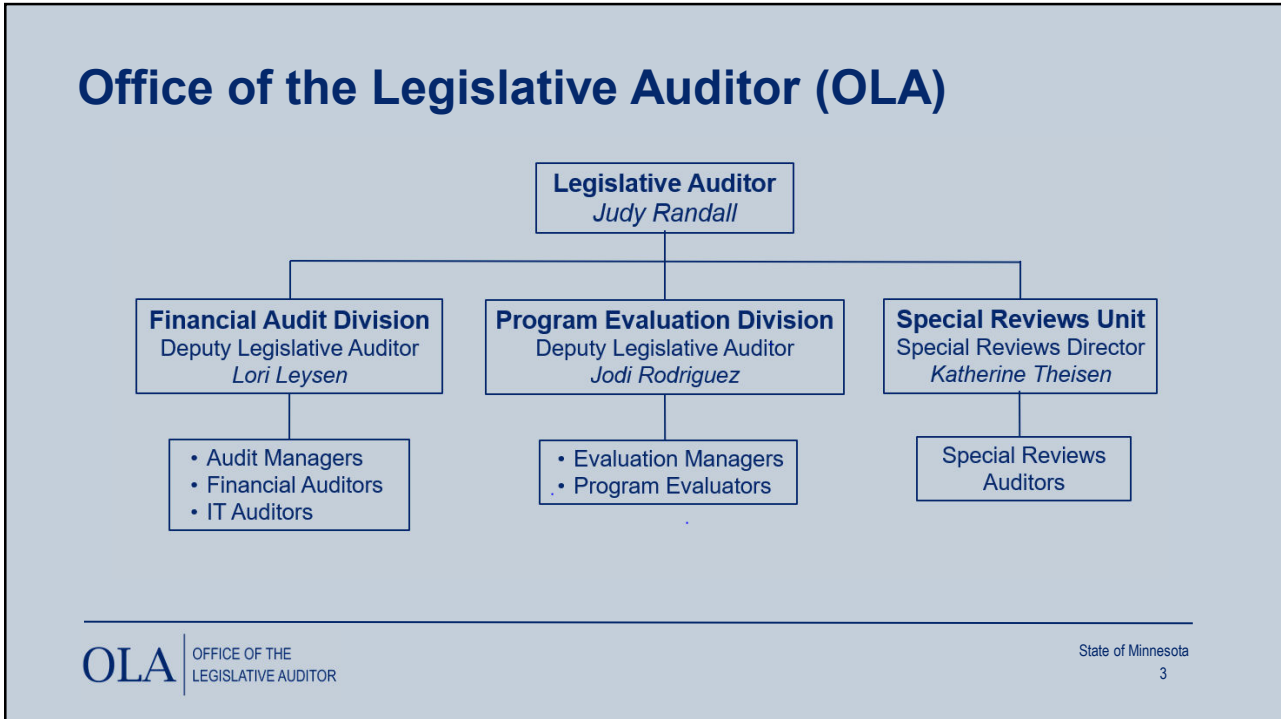
January 2025



Nonpartisan Joint Legislative Office

- Legislative Branch
 - Serves House and Senate
- Nonpartisan
- Independent
- “Watchdog” over public funds





Mission and Goals

- Strengthen legislative oversight and accountability in government
- Promote good management and enhance program effectiveness
- Produce reports that are accurate, objective, timely, and useful

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4

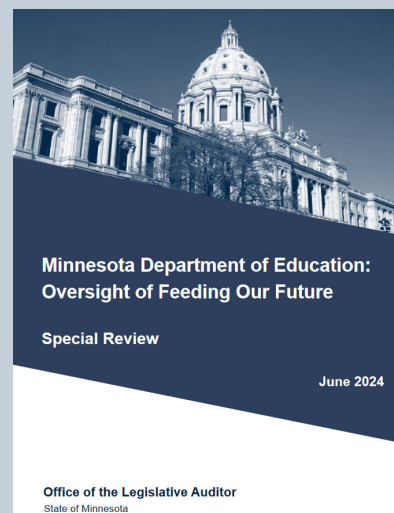
Legislative Audit Commission

- 12-member oversight commission
- Bipartisan and bicameral
- Appoints legislative auditor
- Selects program evaluation topics



Work Products

- Financial statement audits
- Financial performance audits
- Information technology audits
- Program evaluations
- Special reviews



Jurisdiction

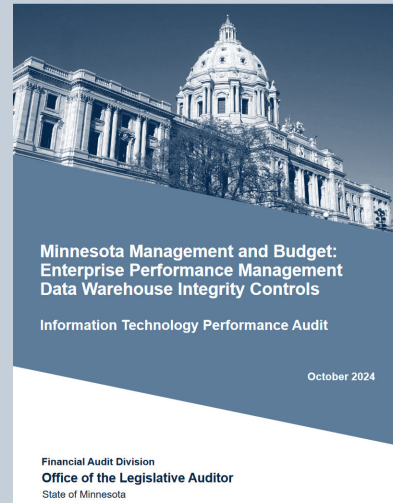
Executive Branch	Judicial Branch	Higher Education	Metropolitan Government	Nonprofit Organizations	Other
<ul style="list-style-type: none"> • Constitutional officers • Departments and agencies • Boards and commissions 	<ul style="list-style-type: none"> • Courts • Administrative offices 	<ul style="list-style-type: none"> • University of Minnesota • Minnesota State 	<ul style="list-style-type: none"> • Metropolitan Council • Mosquito Control District • Metropolitan Airports Commission 	<ul style="list-style-type: none"> • Historical Society • Agricultural Utilization Research Institute • State Agricultural Society 	<ul style="list-style-type: none"> • State contractors • Corporations, organizations, and individuals that receive public funds

Authority and Independence

- Access to all documents or data, regardless of classification
- Authority to issue subpoenas
- Ability to protect the identity of sources
- Work products controlled by OLA
- Reports made public without prior legislative review

OLA Year in Review

- Nine performance audits
- Five program evaluations
- Two special reviews
- Financial statement audits for:
 - State of Minnesota
 - MSRS, PERA, TRA



Recent Audits Under Committee’s Jurisdiction

- [Minnesota State Lottery](#)
- [MMB: Enterprise Performance Management Data Warehouse Integrity Controls](#)
- [Office of the Secretary of State](#)
- [Oversight of State-Funded Grants to Nonprofit Organizations](#)
- [Office of the Governor and Lieutenant Governor](#)
- [Board of Cosmetology Licensing](#)

Minnesota State Lottery

Performance Audit



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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
12

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

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

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

Disqualifying convictions within the previous 5 years

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

Recommendation

Verify that retailers have not been convicted of disqualifying crimes

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

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

Office of the Legislative Auditor

Legislative.Auditor@state.mn.us
651-296-4708
www.auditor.leg.state.mn.us