



MONTANA LEGISLATIVE AUDIT DIVISION

INFORMATION SYSTEMS AUDIT Lottery Security Montana Lottery

SEPTEMBER 2010

10DP-06

REPORT SUMMARY

Lottery generated over \$10 million in revenue for fiscal year 2009 from ticket sales, so it is critical for operations to maintain strong security controls.

Context

The Montana Lottery was created in 1987 and its operations are funded by the sale of lottery tickets. Lottery ticket categories include: scratch tickets and online tickets. Revenue is generated either through the sale of individual tickets or by retailer purchases of scratch ticket packs for sale throughout Montana. Online game tickets are sold at participating retailers via terminals. Net revenues from both types of ticket sales are transferred to Montana's general fund.

Montana law requires the Legislative Audit Division to perform a comprehensive security audit of the Montana Lottery every two years. We reviewed the 18 security areas as defined in §23-7-411, MCA. Testing included evaluating Lottery against Montana statute, Multi State Lottery Association (MUSL) regulations, Montana Lottery internal security procedures, statewide information technology policies, and industry best practices.

Results

Overall, security controls are in place in the areas outlined by statute; however, we identified areas where controls can be strengthened. Areas for improvement include change control, access and Lottery business processes.

Lottery maintains an Internal Control System (ICS) which records and reports Lottery sales and drawings information for all games. The system is used to ensure sales information is accurate prior to all MUSL and Montana Lottery draws. Our review determined ICS changes were not tested in a test environment. Changes were introduced directly to the production environment, which could result in serious consequences for the system.

Scratch tickets must be electronically activated in order to be redeemable. We determined individuals with the ability to activate scratch tickets also had physical access to the scratch ticket inventory. This creates the potential for these individuals to obtain and activate scratch tickets without secured oversight.

By law, certain individuals are not eligible to play the Lottery. A procedure has been implemented to check for ineligible players; however, due to a weak system control, an ineligible player may be paid for a winning ticket. We also noted a control issue with payments made via electronic funds transfer. The current system could allow an individual to submit an unauthorized or incorrect request to the State Treasury. Finally, we noted an unsecure key storage issue related to a new type of self service Lottery ticket machine. Uncontrolled access to these machines could allow individuals access which is not appropriate to their job duties.

Recommendation Concurrence	
Concur	5
Partially Concur	0
Do Not Concur	0

Source: Agency audit response included in final report.

For a complete copy of the report or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the website at <http://leg.mt.gov/audit>. Report Fraud, Waste, and Abuse to the Legislative Auditor's FRAUD HOTLINE Call toll-free 1-800-222-4446, or e-mail lad@mt.gov.