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*Auditing for a Better Oregon*

August 16, 2004

Colleen Sealock, Assistant Director of Support Services  
Oregon State Lottery  
500 Airport Road SE  
Salem, OR 97301

Dear Ms. Sealock:

The Oregon Audits Division conducted a review of internal controls of the Oregon State Lottery. The review consisted of work related to our annual statewide audit for the year ending June 30, 2004. We evaluated internal controls over certain processes in accordance with Statement on Auditing Standard (SAS) No. 94. We did not test for compliance with, or for effectiveness of, the controls we identified. The following are issues that we believe warrant your attention.

In general, we found that Lottery's Information Technology (IT) rules and procedures are not always documented. Formalizing these procedures would facilitate control over pertinent functions. Controls could be further enhanced by creating a data dictionary for the department and by ensuring change management and quality assurance procedures are complete, finalized, and placed in operation for all systems.

Controls in the area of IT security could be improved by adopting a data classification scheme for all Lottery systems, assigning ownership to systems and data, performing periodic reviews of the access granted to users, performing periodic reviews of security activity logs, and adopting formal rules and procedures to govern security incidents. Furthermore, developing more specific IT position descriptions could better control segregation of duties.

Finally, the department would benefit from periodic formal information technology risk assessments that result in formal action plans to address the control and security risks identified in the process.

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We appreciated the courtesies and cooperation extended by your staff. If you have any questions, you may contact me at (503) 986-2354.

Sincerely,  
OREGON AUDITS DIVISION

Nancy L. Young, CPA, CISA, CFE  
Audit Manager

NLY:bk

cc: Kathy Ortega, Chief Financial Officer  
Lottery Internal Audit Department  
Richard Solomon, Audit Committee  
Theresa McHugh, Acting Director, Department of Administrative Services