



Auditing for a Better Oregon

December 29, 2004

Dale Penn, Director
Oregon State Lottery
500 Airport Road SE
Salem, Oregon 97301

Dear Mr. Penn:

We have completed our financial statement audit of the Oregon State Lottery for the fiscal year ended June 30, 2004. During our audit, we did not identify any reportable conditions related to internal control or to noncompliance with applicable laws and regulations. Professional auditing standards define reportable conditions as matters relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect your ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. We did identify the following issues that we determined were not reportable conditions, but did require management's attention. We previously met with managers from Finance and Accounting and Information Technology to discuss these issues.

Access to Electronic Data

User Access

Lottery is heavily dependent upon computer systems for recording and processing financial information. Assigning user access rights that are compatible with the duties and responsibilities of each user is an important internal control over the accuracy, completeness and integrity of the financial information in the systems. Although management has implemented procedures to establish user access rights upon employment of an individual, management has not implemented procedures to review user access rights to verify that appropriate access is maintained when responsibilities for that individual are changed or added. (Control Objectives for Information and related Technology (COBIT) DS 5.5) Management should also develop consistent methods for assigning user access based on duties and responsibilities to help facilitate this review process. We understand the Information Technology department is working to establish "role-based" user access that will provide management with the means to assign and periodically review appropriate user access of systems. We recommend management develop a complete user access process that includes (1) fully documenting assigned access and (2) implementing a review process to ensure that the accuracy and integrity of financial information in Lottery's significant systems is maintained.

Management Letter No. 177-2004-12-02

Secured Workstations

Some individual workstations may provide information that is sensitive or confidential, or may allow access to screens whereby a user can make changes to financial information. Along with user access rights, comes the responsibility to protect information from unauthorized access. (COBIT DS 5.6) Management has not developed or implemented policies and procedures to adequately safeguard information and/or applications contained on user workstations. We recommend management develop a policy to instruct users to secure their workstations from unauthorized access when left unattended.

We will follow up on the department's progress in addressing these issues during our audit of fiscal year 2005 financial statements. Should you have any questions, feel free to contact me at 503-986-2349.

Sincerely,
OREGON AUDITS DIVISION

Kelly L. Olson, CPA
Audit Manager

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cc: Kathy Ortega, Chief Financial Officer
Valerie Wicklund, Chief Internal Auditor
Stan Robson, Oregon State Lottery Audit Committee
Laurie Warner, Acting Director, Department of Administrative Services