



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF THE LOTTERY

State Compliance Examination
 For the Two Years Ended June 30, 2023

Release Date: May 9, 2024

FINDINGS THIS AUDIT: 8	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2021		23-06	23-08
Category 2:	2	5	7	2019		23-01, 23-04, 23-07	
Category 3:	0	1	1	2013		23-05	
TOTAL	2	6	8				
FINDINGS LAST AUDIT: 14							

INTRODUCTION

This digest covers Department’s State Compliance Examination for the two years ended June 30, 2023. A digest covering the Financial Audit of the Department’s State Lottery Fund as of and for the year ended June 30, 2023, was previously released on February 6, 2024. In total this report contains eight findings, none of which were reported in the Financial Audit.

SYNOPSIS

- (23-01) The Department did not maintain adequate internal control of its personal services function.
- (23-07) The Department had not implemented adequate internal controls related to cybersecurity programs, practices, and control of confidential information.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INADEQUATE CONTROLS OVER PERSONAL SERVICES

The Department of the Lottery (Department) did not maintain adequate internal control over its personal services function.

Failed to include fringe benefits in employees' taxable income

During our testing, we noted the Department did not include fringe benefits for the personal use of a State vehicle within its Lottery Sales Representatives' taxable income during the engagement period. These employees extensively use State vehicles when commuting to retailers as part of their full-time job.

Performance evaluations not conducted timely

During our testing of 16 employees, with a total 32 performance evaluations during the examination period, we noted the Department did not conduct 9 of 32 (28%) performance evaluations in a timely manner, as they were completed between 2 and 280 days after the final day in the employee's evaluation period.

Failed to retain sufficient documentation for 2022 State Employment Plan report and survey submissions.

During our testing of the Department's bilingual, African American, Hispanic, Asian-American, and Native American employment plans (State Employment Plans), we noted the Department was unable to provide documentation of survey support for the 2022 State Employment Plan report, as well as the date the surveys were submitted. (Finding 1, pages 10-12)
This finding has been reported since 2019.

We recommended the Department implement controls to ensure:

- fringe benefits related to its employees' commuting in State vehicles are either added to each affected employee's taxable income or each employee provides a reimbursement to the State for the commuting use of the State's vehicle in strict adherence with IRS regulations;
- all required performance evaluations are conducted timely; and
- submission support of State Employment Plan Surveys are retained.

Department agreed

The Department accepted the finding, citing its intent to implement the recommendations.

WEAKNESSES IN CYBERSECURITY PROGRAMS AND PRACTICES

The Department had not implemented adequate internal controls related to cybersecurity programs, practices, and control of confidential information.

As part of its mission, the Department utilizes several environments, applications, and databases which contain volumes of confidential and personal information of citizens.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During our examination of the Department's cybersecurity program, practices, and control of confidential information, we noted the Department had not:

Policies did not address verification of backups or off-site storage

- addressed the verification of backups or off-site storage within the Department's backup or IT policy;

Project management framework not developed

- developed a project management framework to ensure new applications were adequately developed and implemented in accordance with management's expectations;

Data classification documentation did not address retention and destruction

- ensured that data classification documentation included information related to data retention and destruction;

Risk Management Methodology not developed

- developed a Risk Management Methodology;

Security events monitoring and response procedures not developed

- developed security events monitoring or response policies and procedures; and,

Did not ensure vulnerability scanning tools identified security vulnerabilities

- ensured vulnerability scanning tools monitored the Department's environment and applications to identify security vulnerabilities. (Finding 7, pages 22-24) **This finding has been reported since 2019.**

We recommended the Department:

- document the verification of backups and off-site storage policy;
- develop a project management framework to ensure new applications are adequately developed and implemented in accordance with management's expectations;
- include information related to data retention and destruction in the data classification documentation;
- develop a comprehensive Risk Management Methodology;
- develop a security incident policy which includes procedures for employees and contractors to notify

Department management and document response procedures to identified security events; and,

- ensure vulnerability scanning tools monitor the Department's applications and networks to identify security vulnerabilities.

Department agreed

The Department accepted the finding and documented its plans to address each component of the recommendation.

OTHER FINDINGS

The remaining findings pertain to inadequate controls over vouchers, State vehicles, and reporting requirements; failure to incorporate required contractual provision in the *Private Manager Agreement*; disaster recovery planning weaknesses; and insufficient number of Lottery Control Board members. We will review the Department's progress towards the implementation of our recommendations in our next State compliance examination.

AUDITOR'S OPINION

The auditors stated the financial statements of the State Lottery Fund as of and for the year ended June 30, 2023, are fairly stated in all material respects.

ACCOUNTANT'S OPINION

The accountants conducted a State compliance examination of the Department for the two years ended June 30, 2023, as required by the Illinois State Auditing Act. The accountants stated the Agency complied, in all material respects, with the requirements describe in the report.

This State compliance examination was conducted by Sikich LLP.

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JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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