



# **TEXAS LOTTERY COMMISSION**

## **Internal Audit Services**

AN INTERNAL AUDIT OF

# **Physical Security - New Office Operations**

Report No. 23-003

Final

June 6, 2023

*This report provides management with information about the condition of risks and internal controls as a specific point in time. Future changes in environmental factors and actions by personnel may impact these risks and internal controls in ways that this report cannot anticipate.*



# Texas Lottery Commission

## Physical Security - New Office Operations Audit

### Why Was This Review Conducted?

McConnell & Jones LLP (MJ), serving as the outsourced internal audit function (Internal Audit), performed this internal audit as part of the approved FY 2023 Annual Internal Audit Plan.

### Audit Objectives and Scope

To determine whether the Texas Facilities Commission (TFC) and the Texas Lottery Commission (TLC) have adequately addressed physical security and infrastructure stability risks associated within the new facility which houses the Draw Studio, Claims Center, shared workspace areas and offices.



The audit assessed the physical security and stability of infrastructure in the new TLC facilities located in the George H.W. Bush (GHWB) Building in downtown Austin, Texas. Our review of facilities and related controls identified several critical weaknesses in the physical security of the new offices, most of which can be attributed to the continued and ongoing construction of the GHWB Building.

We identified instances where TLC information security staff are unable to exercise appropriate control on various aspects of the physical environment in their new offices, often jeopardizing sensitive information retained by TLC, such as instances of Personally Identifiable Information (PII). This is due in part to the continued presence of the construction personnel as well as lack of oversight and communication from TFC. While we did identify some issues that were remediated during or after our review, there are several persistent and severe vulnerabilities that threaten the daily business operations of TLC.

### Number of Findings/Opportunities by Risk Rating

Category	High	Medium	Low	Total
Findings	7	0	1	8
Improvement Opportunities	0	0	1	1

*We wish to thank all employees for their assistance and quick responses. Without this, we would not have been able to complete our review.*

### Recommendations

1. TLC should work with TFC to test the backup power solution on a regular basis and provide the results to TLC's Support Services staff. If the generators cannot sustain prolonged power outages, alternatives such as adding a dedicated generator or relocating operations should be explored. (High Risk)
2. TLC should continue to pursue contracting with an additional vendor to provide redundant internet capability. (High Risk)
3. TFC should install video surveillance of all areas within the GHWB building common data center. TLC should work with TFC to ensure this occurs. (High Risk)
4. TFC should ensure the common server room environmental controls' installation is completed as soon as possible. TLC should monitor completion. (High Risk)
5. TFC should grant TLC access to generate badge access reports on demand. (High Risk)
6. TFC should provide requested reports to TLC so they can conduct a comprehensive badge access review and work with TLC to have unauthorized access/privileges removed.
7. TFC should provide TLC with a key inventory and schedule the re-keying of locks as requested. (High Risk)
8. TFC should activate the electronic security badge reader in the elevator. (Low Risk)
9. (Opportunity for Improvement) TLC may want to consider installing video cameras in additional locations that have sensitive operations and are only controlled by key access. (Low Risk)

## Management Responses

*Excerpt from email on February 13, 2023, from Angela Zgarba, Administration Division Director, Texas Lottery Commission*

### **Business Objective #1: Infrastructure**

To ensure that the GHWB Building infrastructure can meet current and future power and networking demands and enable TLC to conduct operations in a stable environment.

#### *Findings:*

#### **Some Improvement Needed**

1. TFC has not notified TLC Support Services staff of any generator or Universal Power Supply (UPS) testing since the September 2022 move to the GHWB building.
2. TFC has not informed TLC Support Services staff of how long the generator will run when the power goes out.
3. TLC has experienced power related issues within the GHWB building, resulting in TLC leveraging the data center in their warehouse for primary data processing.
4. TFC did not install a redundant Internet Service Provider (ISP) in the GHWB building.

#### *Recommendations:*

1. TFC should test the backup power solution on a regular basis and provide the results to TLC's Support Services staff. TFC should also provide TLC with information on how long the generators can sustain operations. If the generators cannot sustain prolonged power outages, alternatives such as adding a dedicated generator or relocating operations should be explored. (High Risk)
2. TLC should continue to pursue contracting with an additional vendor to provide redundant internet capability. (High Risk)

#### **TFC Response:**

TFC conducts annual maintenance tests on the generators in the GHWB building, per State Fire Marshal requirements. Additionally, a Load Bank Test (on the generator) is automatically conducted every week. This "no-load" test runs for 15 minutes to ensure the generator's battery is properly charged, and that the unit operates at appropriate temperatures. Should there be an issue during this test, an alarm will be issued for our TFC Building Tech to address immediately. To date all no-load tests have passed without issues.

TFC also conducts a quarterly inspection of the generator and may run a manual "no-load" test or other tests if deemed necessary. Once a year, a full Load Bank Test on the building's generator is conducted.

The March 2023 Load Bank Test report is attached.

### **Business Objective #4: Common Server Room Access**

To implement internal controls that ensure TLC's information technology servers and equipment housed in the GHWB building's common data center are protected from unauthorized access.

#### *Finding:*

#### **Some Improvement Need**

The GHWB building's common data center is not under video surveillance.

#### *Recommendation:*

TFC should install video surveillance cameras in the common server room. TLC should work with TFC to ensure this occurs. (High Risk)

#### **TFC Response:**

The physical security of the shared data center was reviewed by TLC, TFC and our construction contractor, and security equipment installed per these parameters. Video surveillance cameras were not in that original scope of work. However, upon receiving the TLC audit recommendations, TFC contracted for 13 additional video surveillance cameras to be installed. The installation was completed on April 12, 2023.

**Business Objective #5: Common Server Room Environmental Controls**

To ensure that all TLC servers and equipment housed in the GHWB Building's common data center are protected from environmental damage associated with factors such as fire, temperature, water, and humidity.

*Finding:***Some Improvement Needed**

TFC has not fully installed or connected certain environmental controls in the GHWB Building common data center.

*Recommendation:*

TFC should ensure the common server room environmental controls' installation is completed as soon as possible. TLC should monitor completion. (High Risk)

*TFC Response:*

The HVAC scope of work along with the test and balance of the HVAC system in the COLO room has been completed. The sprinkler system required by code is installed and operational.

TLC requested a "Clean Agent" (Sapphire) system which was installed per the original scope of work. However, that system was faulty and had to be reordered. Due to supply chain issues, the delivery of the new equipment was delayed. The TFC contractor now has a delivery date for the new Sapphire system and has scheduled the installation of the new equipment within the next two weeks.

**Business Objective #9: Secure Access Restricted**

To design and implement physical security controls that ensure access to the agency's shared and sensitive areas is limited to only TLC-authorized staff.

*Findings:***Major Improvement Needed**

1. The electrical room badge readers on the 5th and 6th floor are not limited to individuals that need to have access for facilities purposes. For example, TLC's internal auditors' badges granted access to the electrical rooms.
  1. One locking mechanism was covered with tape, allowing access to the Electrical room on the 6th floor.
2. TFC's ownership of the badge access system and extensive delays in providing access reports hinders TLC's ability to perform timely access reviews to ensure access to the agency's areas is limited to only authorized TLC staff.
3. TFC has not provided the information requested by TLC to determine a baseline of access provided to each area as of January 25, 2023.
4. TFC has not provided TLC with an inventory of keyed access.

*Recommendations:*

1. TFC should grant TLC access to generate badge access reports on demand. (High Risk)
2. TFC should provide requested reports to TLC so they can conduct a comprehensive badge access review and work with TLC to have unauthorized access/privileges removed. (High Risk)
3. TFC should provide TLC with a key inventory and schedule the re-keying of locks as requested. (High Risk)
4. TFC should activate the electronic security badge reader in the elevator. TLC should monitor completion. (Low Risk)

*TFC Response:*

TFC Risk Management department will produce a badge access report upon request. Send badge report request to Mandy Burrell at [mandy.burrell@tfc.texas.gov](mailto:mandy.burrell@tfc.texas.gov) TFC worked closely with TLC to determine all entry points that required badge readers and TLC provided the list of TLC personnel that would have access privileges at each entry point. TLC may update or change access permission at any time, by providing written instructions via email to TFC Risk Management attention Mandy Burrell. The access reports requested by TLC have been delivered and this issue has been resolved.

TLC received a master key inventory on April 10, 2023. The TLC rekeying request is on hold, pending a determination of cost and which agency will be responsible for the rekeying costs.

The security programing for the destination elevators in the GHWB building has been completed. Elevator passengers must now use their badges to call for an elevator.

Other security measures: TFC Risk Management conducted a tenant site survey with TLC to identify any other areas for improvements to the physical security of the workspace. TLC identified a few sensitive areas where additional security cameras would be beneficial. TFC has acquired and installed security cameras in these areas.

## Introduction

We performed this audit as part of the approved FY 2023 Annual Internal Audit Plan. This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained accomplishes that requirement.

Pertinent information has not been omitted from this report. This report summarizes the audit objective and scope, our assessment based on our audit objectives and the audit approach.

## Purpose, Conclusion, and Internal Control Rating

In July 2022, the Texas Lottery Commission moved operations, including the drawings studio and claims center, to the newly built George H.W. Bush (GHWB) building in Austin, Texas. The new facility includes the TLC drawing studio, TLC claims center, common server room, and shared workspace areas and offices. The Texas Facilities Commission (TFC) is responsible for general facilities maintenance, physical security, and infrastructure for most of the building.

Construction has been completed for the various spaces occupied by TLC within the GHWB building. However, most of the building is still under construction and there are numerous pieces of critical infrastructure that have not yet been installed when we completed this audit in December 2022. The construction company and current owner of the building has full keyed access to facilities, including some sensitive TLC areas. With limited control over certain aspects of the physical security in their environment, TLC frequently relies on TFC to assist in implementing new security controls, components, and key infrastructure to ensure the safety and security of TLC staff and information.

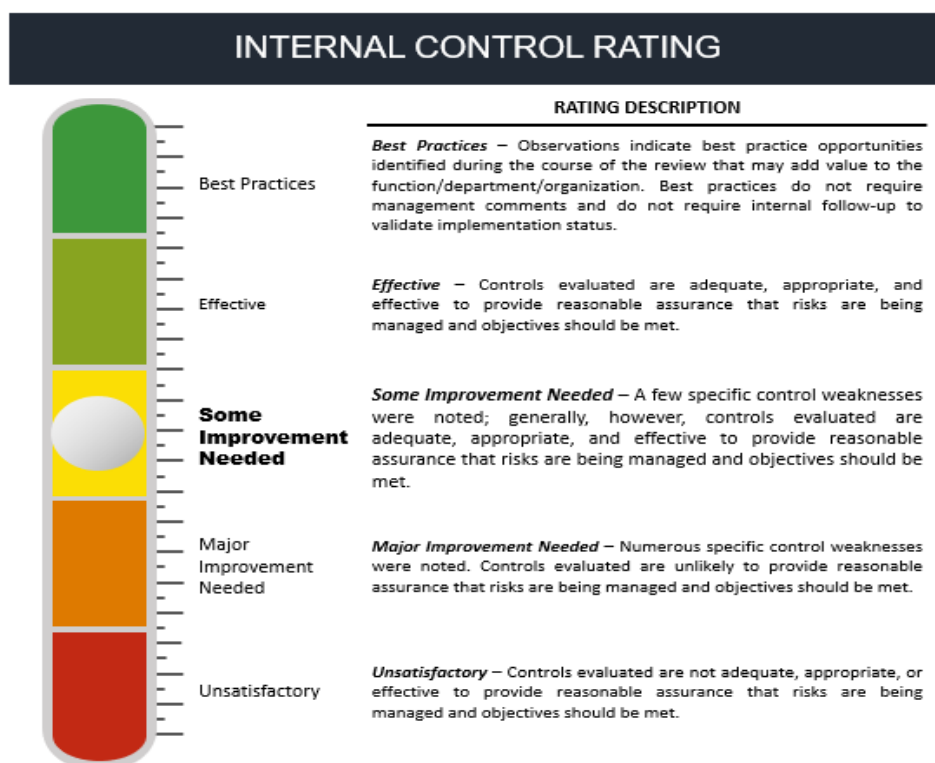
The purpose of this audit was to ensure the infrastructure and security controls implemented in the GHWB building fulfilled TLC's needs for their business operations.

As such we focused on the following processes:

1. Infrastructure (Power and Internet) Stability
2. Draw Studio
3. Claims Center
4. Server Room
5. Shared Workspace Areas and Offices

Scope period: Security and infrastructure in place as of December 2022.

This audit identified findings that resulted in an overall internal control rating of: **Some Improvement Needed**. **Exhibit 1** describes the internal control rating. **Most of these findings noted in this report are a result of responsibilities assigned to TFC as the building manager and are no longer under TLC's control to remedy.**



**Exhibit 1: Internal control rating description.**

## Finding vs Improvement Opportunity

We define a finding as an internal control weakness or non-compliance with required policy, law, or regulation. We define an improvement opportunity as an area where the internal control or process is effective as designed but can be enhanced.

## Findings and Risk Rating Summary

**Exhibit 2** provides a summary of our audit observations. See the findings and management response section of this report for a discussion of all issues identified recommendations and management responses. Inherent risk is internal audit's ranking of the impact to the organization if controls or processes were not in place or effective to prevent a negative event from occurring. Residual risk is internal audit's ranking of the remaining risk or likelihood of a negative event occurring with the internal controls and processes in place.

Business Objective / Focus Area	Business Risk Ranking	Control Effectiveness	Recommendations
<b>Findings</b>			
1. <b>Infrastructure</b> To ensure that the GHWB Building infrastructure can meet current and future power and networking demands and enable TLC to conduct operations in a stable environment.	Inherent: High Residual: High	<b>Some Improvement Needed</b> <ul style="list-style-type: none"> <li>TFC has not notified TLC Support Services staff of any generator or Universal Power Supply (UPS) testing since the September</li> </ul>	A. TFC should test the backup power solution on a regular basis and provide the results to TLC's Support Services staff. TFC should also provide

Business Objective / Focus Area	Business Risk Ranking	Control Effectiveness	Recommendations
		<p>2022 move to the GHWB building.</p> <ul style="list-style-type: none"> <li>TFC has not informed TLC Support Services staff of how long the generator will run when the power goes out.</li> <li>TLC has experienced power related issues within the GHWB building, resulting in TLC leveraging the data center in their warehouse for primary data processing.</li> <li>TFC did not install a redundant Internet Service Provider (ISP) in the GHWB building.</li> </ul> <p>(See Findings and Management Response Section Business Objective #1)</p>	<p>TLC with information on how long the generators can sustain operations. If the generators cannot sustain prolonged power outages, alternatives such as adding a dedicated generator or relocating operations should be explored. (High Risk)</p> <p>B. TLC should continue to pursue contracting with an additional vendor to provide redundant internet capability. (High Risk)</p>
<p><b>2. Video Surveillance</b> To protect and monitor TLC facilities' areas and sensitive operations with video surveillance and monitoring capabilities, which serve as both a deterrent of improper access to the agency's sensitive areas and as evidence for later review.</p>	Inherent: High Residual: Low	<p><b>Generally Effective with Opportunity for Improvement</b></p> <ul style="list-style-type: none"> <li>Some TLC sensitive operational areas are not under video surveillance. However, these areas can only be accessed by badge readers or keys.</li> </ul> <p>(See Findings and Management Response Section Business Objective #2)</p>	<p>A. TLC may want to consider installing video cameras in additional locations that have sensitive operations and are only controlled by key access. (Low Risk)</p>
<p><b>Shared workspace Security</b> 3. To implement physical and process controls that ensure information within the agency's shared workspaces of the GHWB Building is protected and secured from unauthorized disclosure.</p>	Inherent: Medium Residual: Low	<p><b>Generally Effective</b></p> <p>No findings noted.</p> <p>(See Findings and Management Response Section Business Objective #3)</p>	None.



Business Objective / Focus Area	Business Risk Ranking	Control Effectiveness	Recommendations
<b>Common Server Room Access</b> 4. To implement internal controls that ensure TLC's information technology servers and equipment housed in the GHWB building's common data center are protected from unauthorized access.	Inherent: High Residual: High	<b>Some Improvement Needed</b> <ul style="list-style-type: none"> <li>The GHWB building's common data center is not under video surveillance.</li> </ul> <i>(See Findings and Management Response Section Business Objective #4)</i>	A. TFC should install video surveillance cameras in the common server room. TLC should work with TFC to ensure this occurs. (High Risk)
<b>Common Server Room Environmental Controls</b> 5. To ensure that all TLC servers and equipment housed in the GHWB Building's common data center are protected from environmental damage associated with factors such as fire, temperature, water, and humidity.	Inherent: High Residual: High	<b>Some Improvement Needed</b> <ul style="list-style-type: none"> <li>TFC has not fully installed or connected certain environmental controls in the GHWB Building common data center.</li> </ul> <i>(See Findings and Management Response Section Business Objective #5)</i>	A. TFC should ensure the common server room environmental controls' installation is completed as soon as possible. TLC should monitor completion. (High Risk)
<b>Claims Center and Mailroom</b> 6. To ensure that appropriate physical and process security controls are in place to protect prize claims received at the Claims Center and common mail room within the GHWB building.	Inherent: High Residual: High	<b>Generally Effective with Best Practice Processes</b> <ul style="list-style-type: none"> <li>The Claims Center File Room door lock was not functioning at the time of the physical security walkthrough on December 8, 2022.</li> </ul> <i>(See Findings and Management Response Section Business Objective #6)</i>	No recommendations at this time, this issue has been resolved as of January 25, 2023.
<b>Sensitive Operations</b> 7. To implement physical and internal controls that ensure the integrity of the sensitive gaming operations conducted within the GHWB building.	Inherent: Medium Residual: Low	<b>Generally Effective with Best Practice Processes</b>  No findings noted.	None.
<b>Background / Fingerprinting Operations</b>	Inherent: Medium Residual: Low	<b>Generally Effective with Best Practice Processes</b>	None.

Business Objective / Focus Area	Business Risk Ranking	Control Effectiveness	Recommendations
8. To design and implement physical and internal controls within the GHWB Building that ensure the protection of the sensitive Background\Fingerprinting operations information in accordance with DPS requirements.		No findings noted.	
<b>Secure Access Restricted</b> 9. To design and implement physical security controls that ensure access to the agency's shared and sensitive areas is limited to only TLC-authorized staff.	<b>Inherent: High</b> <b>Residual: High</b>	<b>Major Improvement Needed</b> <ul style="list-style-type: none"> <li>The electrical room badge readers on the 5th and 6th floor are not limited to individuals that need to have access for facilities purposes. For example, TLC's internal auditors' badges granted access to the electrical rooms.               <ul style="list-style-type: none"> <li>One locking mechanism was covered with tape, allowing access to the Electrical room on the 6th floor.</li> </ul> </li> <li>TFC's ownership of the badge access system and extensive delays in providing access reports hinders TLC's ability to perform timely access reviews to ensure access to the agency's areas is limited to only authorized TLC staff.</li> <li>TFC has not provided the information requested by TLC to determine a baseline of access provided to each area as of January 25, 2023.</li> </ul>	A. TFC should grant TLC access to generate badge access reports on demand. (High Risk) B. TFC should provide requested reports to TLC so they can conduct a comprehensive badge access review and work with TLC to have unauthorized access/privileges removed. (High Risk) C. TFC should provide TLC with a key inventory and schedule the re-keying of locks as requested. (High Risk) D. TFC should activate the electronic security badge reader in the elevator. TLC should monitor completion. (Low Risk)

Business Objective / Focus Area	Business Risk Ranking	Control Effectiveness	Recommendations
		<ul style="list-style-type: none"> <li>TFC has not provided TLC with an inventory of keyed access.</li> </ul> <p>(See Findings and Management Response Section Business Objective #9)</p>	

**Exhibit 2:** Summary of Internal Audit Findings and Recommendations.

## Detailed Findings and Management Response



*This section of the report provides a detailed discussion of opportunities we noted during the audit along with recommendations to improve internal controls or the business process.*

Inherent risk is internal audit's ranking of the impact to the organization if controls or processes were not in place or effective to prevent a negative event from occurring. Residual risk is internal audit's ranking of the remaining risk or likelihood of a negative event occurring with the internal controls and processes in place.

### Business Objective Chapter #1: Infrastructure (Power and Internet)

#### Business Risk Rating:

Inherent Risk Ranking: High

Residual Risk Ranking: High

**Business Objective:** To ensure that the GHWB building infrastructure can meet current and future power and networking demands and enable TLC to conduct operations in a stable environment.

**Control Rating:** Some Improvement Needed.

#### Finding Narrative:

Since relocating to the GHWB building, TLC has experienced multiple power and internet outages which have affected the daily operations. This infrastructure instability has resulted in TLC leveraging their backup data center located in their warehouse for primary data processing, to minimize operational and claims processing disruptions.

<b>Effect/Risk/Impact</b>	<ul style="list-style-type: none"> <li>➤ Game drawings and claims processing may be delayed when power and/or internet services go out at the GHWB building.</li> <li>➤ Additional financial and human resources may be required to operate alternative facilities to ensure GHWB building power and internet outages do not disrupt game drawings and claims processing activities.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Inquired about backup power solution (dedicated &amp; backup).</li> <li>➤ Conducted walkthrough to observe Network connectivity (Wireless, Cat 5; Network closet, etc.) and redundancy.</li> <li>➤ Inquired about resilience testing (frequency/results).</li> <li>➤ Inquired about Internet bandwidth and redundancy.</li> </ul>

<b>Management Controls in Place</b>	<ul style="list-style-type: none"> <li>➤ Two generators provide backup power to the GHWB building: <ul style="list-style-type: none"> <li>○ One covers life safety and fire pumps, and the other covers the common data center.</li> </ul> </li> <li>➤ The GHWB Building has a single Internet Service Provider (ISP), that is comparable to the prior TLC headquarters. At the previous TLC location, there was a backup ISP in place to provide redundancy.</li> </ul>
<b>Findings / Opportunities</b>	<ul style="list-style-type: none"> <li>➤ TFC has not notified TLC Support Services staff of any generator or Universal Power Supply (UPS) testing since the September 2022 move to the GHWB building.</li> <li>➤ TFC has not informed TLC Support Services staff of how long the generator will run when the power goes out.</li> <li>➤ TLC has experienced power related issues within the GHWB building, resulting in TLC leveraging the data center in their warehouse for primary data processing.</li> <li>➤ TFC did not install a redundant Internet Service Provider (ISP) in the GHWB building.</li> </ul>
<b>Root Cause</b>	<ul style="list-style-type: none"> <li>➤ The infrastructure within the GHWB building is unstable and does not fully meet TLC's operational needs. It is unknown if stability will improve once the building construction is fully completed.</li> <li>➤ During construction of the GHWB building, TFC did not work with or seek out additional vendors to ensure that redundancy is in place for internet services. As a result, TLC is solely reliant on AT&amp;T as an ISP.</li> </ul>
<b>Recommended Actions</b>	<ul style="list-style-type: none"> <li>➤ TFC should test the backup power solution on a regular basis and provide the results to TLC's Support Services staff. TFC should also provide TLC with information on how long the generators can sustain operations. If the generators cannot sustain prolonged power outages, alternatives such as adding a dedicated generator or relocating operations should be explored. (High Risk)</li> <li>➤ TLC should continue to pursue contracting with an additional vendor to provide redundant internet capability. (High Risk).</li> </ul>

**Management Response:**

See "Excerpt from email on February 13, 2023, from Angela Zgarba, Administration Division Director, Texas Lottery Commission" above.

**Business Objective Chapter #2: Video Surveillance****Business Risk Rating:**

Inherent Risk: High

Residual Risk: Low

**Business Objective:** To protect and monitor TLC facilities' areas and sensitive operations with video surveillance and monitoring capabilities, which serve as both a deterrent of improper access to the agency's sensitive areas and as evidence for later review.

**Control Rating:** Generally effective with opportunity for improvement.

**Finding Narrative:**

TLC worked with TFC to install video surveillance and monitoring capabilities for sensitive areas within the GHWB building. However, the video surveillance and monitoring capabilities do not provide full coverage of some sensitive areas.

<b>Effect/Risk/Impact</b>	<ul style="list-style-type: none"> <li>➤ Sensitive areas of the new facility (drawing studio, claims center, offices) may not have adequate video surveillance which could then prevent TLC monitoring and reviewing footage to determine who accessed these areas.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Conducted a walkthrough to observe physical cameras.</li> <li>➤ Observed monitoring, video replay, and retention requirements/procedures.</li> <li>➤ Inquired about retention requirements/procedures.</li> </ul>
<b>Management Controls in Place</b>	<ul style="list-style-type: none"> <li>➤ TLC Support Services staff have access to video footage of the video surveillance monitoring the TLC areas external to the ICS Gaming lab. <ul style="list-style-type: none"> <li>○ Video footage is retained for a minimum of 45 days.</li> <li>○ The current system has the capacity to retain approximately five to six months of footage.</li> </ul> </li> <li>➤ The ICS video surveillance console is housed in a room and can be accessed by TLC remotely. <ul style="list-style-type: none"> <li>○ The Information Security Officer checks the footage approximately once per month.</li> </ul> </li> <li>➤ TLC has implemented video surveillance in the highly sensitive areas.</li> </ul>
<b>Findings / Opportunities</b>	<p>Opportunity for Improvement:</p> <ul style="list-style-type: none"> <li>➤ Some TLC sensitive operational areas are not under video surveillance. However, these areas can only be accessed by badge readers or keys.</li> </ul>
<b>Root Cause</b>	<ul style="list-style-type: none"> <li>➤ TFC did not install video surveillance in all sensitive TLC areas.</li> </ul>
<b>Recommended Actions</b>	<p>Opportunity for Improvement:</p> <ul style="list-style-type: none"> <li>➤ TLC may want to consider installing video cameras in additional locations that have sensitive operations and are only controlled by key access.</li> </ul>

**Management Response:**

Not required as controls are generally effective, and this is an opportunity to enhance the controls in place.

**Business Objective Chapter #3: Security Within Shared Workspaces****Business Risk Rating:**

Inherent Risk: Medium

Residual Risk: Low

**Business Objective:** To implement physical and process controls that ensure information within the agency's shared workspaces of the GHWB building is protected and secured from unauthorized access.

**Control Rating:** Generally Effective.

**Finding Narrative:**

TLC has implemented effective controls and processes to protect information handled in their offices and shared workspaces.

<b>Effect/Risk/Impact</b>	<ul style="list-style-type: none"> <li>➤ Information within the shared workspaces of the GHWB building may not be protected and secured from unauthorized disclosure.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Conducted a walkthrough to determine whether desks, file cabinets, etc., were secure.</li> </ul>

	<ul style="list-style-type: none"> <li>➤ Inquired of management whether any items are required to be locked up, and under what circumstances.</li> </ul>
<b>Management Controls in Place</b>	<ul style="list-style-type: none"> <li>➤ Access to the agency's shared workspaces is controlled by electronic security badges and is limited to only staff who have been granted privileges.</li> <li>➤ Locked file storage cabinets are installed.</li> <li>➤ Locked shred bin(s) are located throughout the shared workspaces.</li> </ul>
<b>Findings / Opportunities</b>	<ul style="list-style-type: none"> <li>➤ No findings noted.</li> </ul>
<b>Root Cause</b>	<ul style="list-style-type: none"> <li>➤ Not applicable. Internal controls are effective.</li> </ul>
<b>Recommended Actions</b>	<ul style="list-style-type: none"> <li>➤ Not applicable, no findings noted.</li> </ul>

**Management Response:**

None required.

**Business Objective Chapter #4: Common Server Room Access****Business Risk Rating:**

Inherent Risk: High

Residual Risk: High

**Business Objective:** To implement internal controls that ensure TLC's information technology servers and equipment housed in the GHWB building's common data center are protected from unauthorized access.

**Control Rating:** Some Improvement Needed.

**Finding Narrative:**

TLC houses information technology servers and equipment within locked racks in the GHWB building's common data center. Access to the data center is controlled by an electronic security badge. Video surveillance has not been implemented to date.

<b>Effect/Risk/Impact</b>	<ul style="list-style-type: none"> <li>➤ The common server room may not have controls that limit physical access to TLC's information technology servers and equipment to authorized TLC staff.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Conducted a walkthrough of the common data center to determine how access is restricted.</li> <li>➤ Conducted a walkthrough to determine physical access controls to TLC equipment within the common server room.</li> </ul>
<b>Management Controls in Place</b>	<ul style="list-style-type: none"> <li>➤ Access is controlled by electronic security badges and is limited to only staff who have been granted privileges.</li> <li>➤ TLC's information technology servers are in locked racks, which limit access to only TLC Information Resources (network) and TLC Security staff.</li> </ul>
<b>Findings / Opportunities</b>	<ul style="list-style-type: none"> <li>➤ The GHWB building's common data center is not under video surveillance.</li> </ul>
<b>Root Cause</b>	<ul style="list-style-type: none"> <li>➤ Video surveillance has not been implemented within the GHWB Building common data center.</li> </ul>

**Recommended Actions**

- ➔ TFC should install video surveillance cameras in the common server room. TLC should work with TFC to ensure this occurs.

**Management Response:**

See "Excerpt from email on February 13, 2023, from Angela Zgarba, Administration Division Director, Texas Lottery Commission" above.

**Business Objective Chapter #5: Common Server Room Environmental Controls****Business Risk Rating:**

Inherent Risk: High

Residual Risk: High

**Business Objective:** To ensure that all TLC servers and equipment housed in the GHWB Building's common data center are protected from environmental damage associated with factors such as fire, temperature, water, and humidity.

**Control Rating:** Some Improvement Needed

**Finding Narrative:**

Certain TFC environmental controls within the GHWB building common data center are not fully functional and do not fully meet TLC's operational needs. TLC relies on the environmental controls within the GHWB building's common data center to protect the information technology servers and equipment. Some of these environmental systems have not been fully installed and connected. This puts the TLC information technology servers and equipment at risk of damage which could cause disruptions to TLC's data processing.

<b>Effect/Risk/Impact</b>	➔ The environmental controls in the common server room may not be adequate to protect TLC's information technology servers and equipment from damage.
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➔ Conducted a walkthrough to observe environmental controls implemented in the common server room. Including: <ul style="list-style-type: none"> <li>○ Fire suppression</li> <li>○ Raised Floor</li> <li>○ Temperature and humidity monitoring</li> </ul> </li> <li>➔ Verified Inspections are up to date (Tags).</li> </ul>
<b>Management Controls in Place</b>	<ul style="list-style-type: none"> <li>➔ TFC has installed the following environmental controls at the GHWB building common data center: <ul style="list-style-type: none"> <li>○ Fire suppression system</li> <li>○ Power &amp; Energy Monitoring System (Schneider)</li> <li>○ Critical Power Monitor (CPM)</li> <li>○ Smoke detection &amp; warning system (Vesda)</li> <li>○ Surge Protection</li> <li>○ Forced Air Cooling</li> </ul> </li> </ul>
<b>Findings / Opportunities</b>	<ul style="list-style-type: none"> <li>➔ TFC has not fully installed or connected certain environmental controls in the GHWB building common data center. Specifically: <ul style="list-style-type: none"> <li>○ Tanks holding fire suppression do not show inspection tags.</li> <li>○ The control panel hardware for the fire suppression system has not been installed.</li> <li>○ Surge protection units are not equipped with bump panel/guard to prevent accidental power loss.</li> </ul> </li> </ul>



<b>Root Cause</b>	➔ On-going construction of the GHWB building has led to the common server room environmental controls not being completed.
<b>Recommended Actions</b>	➔ TFC should ensure the common server room environmental controls' installation is completed as soon as possible. TLC should monitor completion.

**Management Response:**

See "Excerpt from email on February 13, 2023, from Angela Zgarba, Administration Division Director, Texas Lottery Commission" above.

**Business Objective Chapter #6: Claims Center and Mailroom****Business Risk Rating:**

Inherent Risk: High

Residual Risk: High

**Business Objective:** To ensure that appropriate physical and process security controls are in place to protect prize claims received at the Claims Center and common mail room within the GHWB building.

**Control Rating:** Generally Effective with Best Practice Processes.

**Finding Narrative:**

TLC has implemented security controls which protect against the unauthorized access of prize claims received at the Claims Center and common mail room within the GHWB building. Except for a file room with a faulty locking mechanism, which is enclosed within the badge protected Claims Center, no findings were noted during the physical security walkthrough on December 8, 2022. The faulty locking mechanism was subsequently repaired.

<b>Effect/Risk/Impact</b>	➔ Security controls in the Claims Center and common mail room may not protect against the unauthorized access of TLC prize claims.
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➔ Conducted a walkthrough to determine how access is restricted to the Claims Center and Mailroom.</li> <li>➔ Inquired of Claims Center Manager regarding physical security of prize claims within the Claims Center, Claims Processing, and Mailroom.</li> </ul>
<b>Management Controls in Place</b>	<ul style="list-style-type: none"> <li>➔ Access is controlled by electronic security badges and is limited to only staff who have been granted privileges.</li> <li>➔ The Claims Center and Mailroom are under video surveillance. (Best Practice)</li> <li>➔ A secure cart is used for transportation of prize claims within GHWB building (Best Practice).</li> <li>➔ All visitors must sign in and are escorted by authorized TLC staff when accessing the Claims center. (Best Practice)</li> <li>➔ Claims Center areas are under video surveillance. (Best Practice)</li> <li>➔ Alarm systems, including motion detectors, are in place and monitored by the vendor.</li> <li>➔ A security guard is present within the building lobby.</li> <li>➔ Prize claims are secured within locking file storage which are locked at during non-business hours.</li> <li>➔ There is a lockbox that contains keys to locking file storage. The combination is changed annually and is limited to four (4) individuals.</li> </ul>



	<ul style="list-style-type: none"> <li>➤ Locking shred bin(s) are present for the secure containment of paper documents until destruction.</li> </ul>
<b>Findings / Opportunities</b>	<ul style="list-style-type: none"> <li>➤ The Claims Center File Room door lock was not functioning at the time of the physical security walkthrough on December 8, 2022. TLC conformed that this door lock was repaired as of January 25, 2023.</li> </ul>
<b>Root Cause</b>	<ul style="list-style-type: none"> <li>➤ Building construction did not ensure that the locking mechanism was working.</li> </ul>
<b>Recommended Actions</b>	<ul style="list-style-type: none"> <li>➤ No recommendations at this time, this finding has been resolved.</li> </ul>

**Management Response:**

None required.

**Business Objective Chapter #7: Sensitive Operations****Business Risk Rating:**

Inherent Risk: High

Residual Risk: Low

**Business Objective:** To implement physical and internal controls that ensure the integrity of sensitive gaming operations conducted within the GHWB building.

**Control Rating:** Generally Effective with Best Practice Processes.

**Finding Narrative:**

TLC has implemented best practice security controls which protect the sensitive operations (ICS Gaming Lab, CAT Lab, Lab Space, and Intermediate Distribution Frame (IDF) rooms) within the GHWB building.

<b>Effect/Risk/Impact</b>	<ul style="list-style-type: none"> <li>➤ Controls may not be in place to adequately secure and ensure the integrity of sensitive testing operations.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Conducted a walkthrough to determine how access is restricted to sensitive testing operations.</li> <li>➤ Inquired about visitor/service access to the sensitive testing operations.</li> <li>➤ Inquired with Information Security Analyst regarding security of IT IDF rooms.</li> </ul>
<b>Management Controls in Place</b>	<ul style="list-style-type: none"> <li>➤ Access to the ICS Gaming Lab, CAT Lab, Lab Space - Security, and IT IDF rooms is controlled by electronic security badge and is limited to very few staff who have been granted privilege.</li> <li>➤ The ICS Gaming Lab, CAT Lab, and Lab Space - Security rooms are under video surveillance.</li> <li>➤ Additional security controls within the ICS Gaming Lab include: <ul style="list-style-type: none"> <li>○ All visitors must sign in and are escorted by authorized TLC staff.</li> <li>○ Access to the server rack is controlled by physical key.</li> <li>○ Only two (2) TLC staff have keys.</li> <li>○ Access to the locked rack is logged.</li> <li>○ The room is equipped with a temperature and humidity gauge.</li> <li>○ The room is equipped with fire suppression, similar to the common data center.</li> </ul> </li> <li>➤ The IT IDF rooms have environmental controls in place (cooling, emergency lighting, fire extinguishers, etc.).</li> </ul>

<b>Findings / Opportunities</b>	None.
<b>Root Cause</b>	Not applicable. Internal controls are effective.
<b>Recommended Actions</b>	None as no findings were noted.

**Management Response:**

None required.

### **Business Objective Chapter #8: Background\Fingerprinting Operations**

**Business Risk Rating:**

Inherent Risk: High

Residual Risk: Low

**Business Objective:** To design and implement physical and internal controls within the GHWB building that ensure the protection of the sensitive Background\Fingerprinting operations information in accordance with DPS requirements.

**Control Rating:** Generally Effective with Best Practice Processes.

**Finding Narrative:**

TLC has implemented security controls which ensure the protection of the sensitive Background\Fingerprinting operations information within the GHWB building. Though secure, security could be strengthened by implementing additional compensating controls such as a badge reader and video surveillance.

<b>Criteria</b>	<ul style="list-style-type: none"> <li>➤ CJIS Security Policy 5.9</li> <li>➤ 019 - Criminal Justice Information Services CJIS 9-13-2022</li> <li>➤ 023 - TCIC and NCIC 11-3-2021 (2)</li> </ul>
<b>Effect/Risk/Impact</b>	➤ Controls may not be in place to adequately secure the background\Fingerprinting operations per DPS requirements.
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Conducted a walkthrough to determine how access is restricted to background\Fingerprinting operations.</li> <li>➤ Inquired with Lottery Operations Drawings &amp; Validations Manager regarding access to sensitive Background\Fingerprinting operations area.</li> </ul>
<b>Management Controls in Place</b>	<ul style="list-style-type: none"> <li>➤ Access to the room is controlled by physical key and limited to only five (5) TLC staff.</li> <li>➤ Visitors are required to sign-in at the GHWB building lobby and are escorted by authorized TLC staff.</li> <li>➤ When the custodial crew is present, all work must be halted and secured.</li> </ul>
<b>Findings / Opportunities</b>	○ None.
<b>Root Cause</b>	Not applicable. Internal controls are effective.
<b>Recommended Actions</b>	None as no findings were noted.

**Management Response:**

None required.

## Business Objective Chapter #9: Secure Access Restricted

### Business Risk Rating:

Inherent Risk: High

Residual Risk: High

**Business Objective:** To design and implement physical security controls that ensure access to the agency's shared and sensitive areas is limited to only TLC-authorized staff.

**Control Rating:** Major Improvement Needed.

### Finding Narrative:

TLC has experienced multiple instances where unauthorized individuals gained access to agency work areas, including restricted and sensitive areas, through permissions granted by TFC with the badge access system. TFC controls the badge access system and does not provide TLC with access to the badge system, nor do they provide access reports on a regular basis. Furthermore, TFC is slow to respond to TLC's requests for badge access reports. For example, a badge access report was requested for this audit several times by TLC beginning in November 2022 and was still not provided by TFC as of January 19, 2023. As a result, TLC is not able to conduct a baseline physical access review.

Additionally, it was noted that during the construction of the GHWB building, the contractor has keyed access to many of the TLC areas. To date, these keys have not been collected and locks have not been rekeyed.

<b>Effect/Risk/Impact</b>	<ul style="list-style-type: none"> <li>➤ Access to secured areas of the facility may not be limited to only authorized TLC staff which has the potential to negatively impact the integrity of the games.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Reviewed report listing current TLC staff as of 11/30/2022.</li> <li>➤ Reviewed report listing electronic badges along with the level of physical access granted to TLC staff as of 1/11/2023.</li> <li>➤ Reviewed badge access report detailing all access attempts to TLC secure areas (drawing studio, claims center, common data center, and shared workspace areas and offices).</li> <li>➤ Conducted a walkthrough to determine whether TLC secure areas are restricted by badge readers.</li> <li>➤ Inquired with Administration Division Director regarding badge access reports for TLC areas.</li> </ul>
<b>Management Controls in Place</b>	<ul style="list-style-type: none"> <li>➤ Access is controlled by electronic security badges and is limited to only staff who have been granted privileges.</li> <li>➤ Access successes, failures, and associated timestamps are logged through the electronic security badge readers.</li> </ul>
<b>Findings / Opportunities</b>	<ul style="list-style-type: none"> <li>➤ The electrical room badge readers on the 5th and 6th floor are not limited to individuals that need to have access for facilities purposes. For example, TLC's internal auditors' badges granted access to the electrical rooms. <ul style="list-style-type: none"> <li>○ One locking mechanism was covered with tape, allowing access to the Electrical room on the 6th floor.</li> </ul> </li> <li>➤ TFC's ownership of the badge access system and extensive delays in providing access reports hinders TLC's ability to perform timely access reviews to ensure access to the agency's areas is limited to only authorized TLC staff.</li> </ul>

	<ul style="list-style-type: none"> <li>➤ TFC has not provided the information requested by TLC to determine a baseline of access provided to each area as of January 25, 2023.</li> <li>➤ TFC has not provided TLC with an inventory of keyed access.</li> <li>➤ The electronic security badge reader in the elevator, which limits access between the 1st and 2nd floors, was not functioning as of the December 8, 2022, walkthrough. TLC staff confirmed that this badge reader is still not functioning as of January 25, 2023.</li> </ul>
<b>Root Cause</b>	<ul style="list-style-type: none"> <li>➤ Due to the stage of building completion, the contractor has keyed access to many of the TLC areas.</li> <li>➤ TFC's ownership of the badge access system hinders TLC's ability to request, review and modify badge access to TLC areas in a timely manner.</li> </ul>
<b>Recommended Actions</b>	<ul style="list-style-type: none"> <li>➤ TFC should grant TLC access to generate badge access reports on demand.</li> <li>➤ TFC should provide requested reports to TLC so they can conduct a comprehensive badge access review and work with TLC to have unauthorized access/privileges removed.</li> <li>➤ TFC should provide TLC with a key inventory and schedule the re-keying of locks as requested by TLC.</li> <li>➤ TFC should activate the electronic security badge reader in the elevator. TLC should monitor completion.</li> </ul>

**Management Response:**

See "Excerpt from email on February 13, 2023, from Angela Zgarba, Administration Division Director, Texas Lottery Commission" above.