



I. Executive Summary

McConnell & Jones LLP (MJ) serving as the outsourced internal audit function (Internal Audit) for the Texas Lottery Commission (TLC) performed an internal audit of the structure and controls for the Agency’s system that stores, organizes and provides access to their information system and network. This audit was made in accordance with generally accepted government auditing standards.

This report summarizes the audit scope, our assessment based on our audit objectives and the audit approach.

Pertinent information has not been omitted because it was not deemed privileged or confidential by law

A. Results and Conclusions

Based on the audit results, we determined that controls over the information system audited are operating effectively to achieve the business objectives. Additionally, TLC’s information system is structured in compliance

Internal Audit determined that the system is structured in compliance with DIR requirements

with the Texas Department of Information Resources (DIR) requirements. We did not identify any exceptions or significant issues.

B. Objectives and Scope

The primary objective of this internal audit was to assess the structure and internal controls related to TLC’s information technology governing access to systems and data. Specifically, audit procedures were applied to:

- Provide management with an evaluation of the structural design implementation and management security effectiveness;
- Determine if the policies and procedures are in place and functioning as intended;
- Determine if reviews are conducted regularly, identified vulnerabilities are logged, and corrective actions are taken in a timely manner; and
- Determine if the agency has the technical expertise to maintain the system or outsources the function to a third party to maintain an effective preventive and detective control environment.

TEXAS LOTTERY COMMISSION INFORMATION TECHNOLOGY AUDIT

Period Covered:

The audit period included September 1, 2013 through July 31, 2014. However, some test procedures were performed as of fieldwork date. This work product was a point-in-time evaluation that cannot address the inherent dynamic nature of subsequent changes to the process/procedures reviewed.

Acknowledgement:

We wish to thank all staff involved in this audit for their professionalism and positive outlook towards the assessment of their operations. The timely completion of this audit was due to their efforts and responsiveness to our requests.

Thank you to all staff involved in the audit.

C. Overview

The Texas Lottery Commission's information system control configuration aligns with the Texas Department of Information Resources (DIR) requirements and best practices. The configuration specifications used to build TLC's domain controllers are in conformity with security guides. Additionally, the simple structure TLC has structured to manage their fifteen office sites at various locations around the state reduces risk and threats of malicious attacks.

Overall, the current TLC operations appear to provide adequate security based on their

current design features. The TLC criteria for data administration and control are:

- The TLC Division directors are considered to be the data owners.
- Information system users are granted a standard level of access based on their respective TLC Division assignments and job responsibilities.
- TLC uses an automated information service requests (ISR) system for user data requests.
- Initial user requests are sent to a supervisor, who determines the access need and forwards approved requests to the respective TLC Division director for approval.
- The approved request is sent to the Information Security Administrator to set access permissions and make changes to the record that contains the location of the data.

The 83rd Texas Legislature (2013) passed HB 2422, which encourages state agencies to consider cloud computing when making purchases for a major information resources project. Consideration of cloud services when evaluating the need to procure new applications and services allows agencies to fulfill their responsibilities to ensure the state manages information resources efficiently. TLC has determined that at this point in time, using cloud services are not a good solution for their operations. However, management continues to monitor their options, including using cloud services.

TEXAS LOTTERY COMMISSION INFORMATION TECHNOLOGY AUDIT

Various Texas Codes and Rules apply to monitoring user access to information systems. **Figure 1** presents an overview of the applicable codes and TLC’s compliance to the respective requirement.

Figure1: TLC Compliance with Requirements

Code / Rule	Requirement	TLC Compliance
Texas Administrative Code (TAC) 202, Subchapter B, Security Standards for State Agencies, Rule 202.21, Management and Staff Responsibilities, subsection (d)	Defines the Information Security Officer (ISO) responsibilities.	
Texas Administrative Code (TAC) 202, Subchapter B, Security Standards for State Agencies, Rule 202.21, Management and Staff Responsibilities, subsection d)(3)	The ISO is responsible for monitoring the effectiveness of defined controls for mission critical information and shall verify that appropriate security controls are in place for all major information resources projects.	
Texas Administrative Code (TAC) 202, Subchapter B, Security Standards for State Agencies, Rule 202.25, Information Resources Security Safeguards, section (5), Auditing, subsection (B)	Appropriate audit trails shall be maintained to provide accountability for updates to mission critical information, hardware and software and for all changes to automated security or access rules.	
Texas Administrative Code (TAC) 202, Subchapter B, Security Standards for State Agencies, Rule 202.25, Information Resources Security Safeguards, section (5), Auditing, subsection (C)	Based on the risk assessment, a sufficiently complete history of transactions shall be maintained to permit an audit of the information resources system by logging and tracing the activities of individuals through the system.	