

# Office of the Legislative Auditor (OLA) Overview

January 2025

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LEGISLATIVE AUDITOR



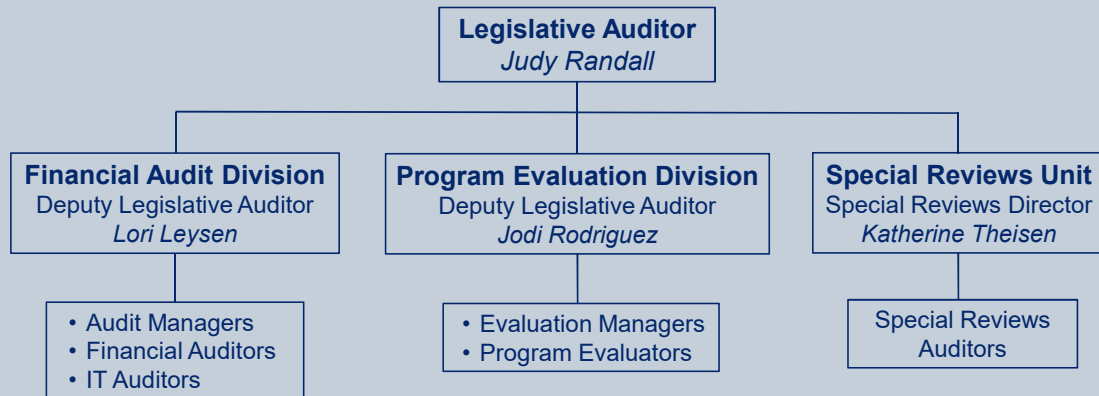
## Nonpartisan Joint Legislative Office

- Legislative Branch
  - Serves House and Senate
- Nonpartisan
- Independent
- “Watchdog” over public funds

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2

## Office of the Legislative Auditor (OLA)



## Mission and Goals

- Strengthen legislative oversight and accountability in government
- Promote good management and enhance program effectiveness
- Produce reports that are accurate, objective, timely, and useful



## Legislative Audit Commission

- 12-member oversight commission
- Bipartisan and bicameral
- Appoints legislative auditor
- Selects program evaluation topics



## Jurisdiction

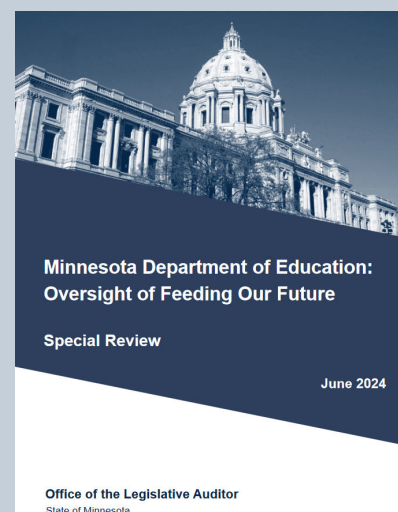
| Executive Branch  | Judicial Branch   | Higher Education  | Metropolitan Government   | Nonprofit Organizations   | Other  |
|---|---|---|---|---|--|
| <ul style="list-style-type: none"><li>• Constitutional officers</li><li>• Departments and agencies</li><li>• Boards and commissions</li></ul> | <ul style="list-style-type: none"><li>• Courts</li><li>• Administrative offices</li></ul> | <ul style="list-style-type: none"><li>• University of Minnesota</li><li>• Minnesota State</li></ul> | <ul style="list-style-type: none"><li>• Metropolitan Council</li><li>• Mosquito Control District</li><li>• Metropolitan Airports Commission</li></ul> | <ul style="list-style-type: none"><li>• Historical Society</li><li>• Agricultural Utilization Research Institute</li><li>• State Agricultural Society</li></ul> | <ul style="list-style-type: none"><li>• State contractors</li><li>• Corporations, organizations, and individuals that receive public funds</li></ul> |

## Authority and Independence

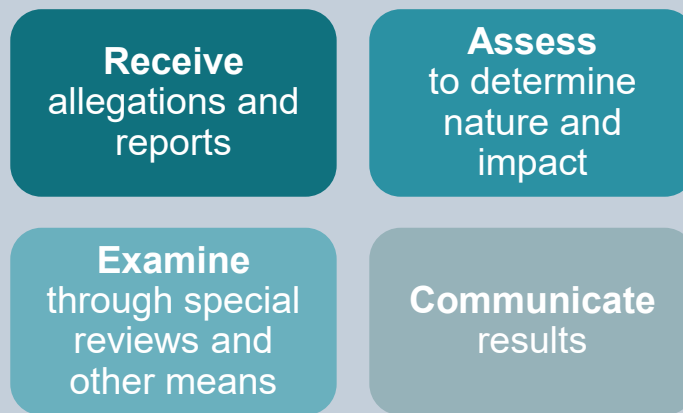
- Access to all documents or data, regardless of classification
- Authority to issue subpoenas
- Ability to protect the identity of sources
- Work products controlled by OLA
- Reports made public without prior legislative review

## Work Products

- Financial statement audits
- Financial performance audits
- Information technology audits
- Program evaluations
- Special reviews



## What does the special reviews unit do?

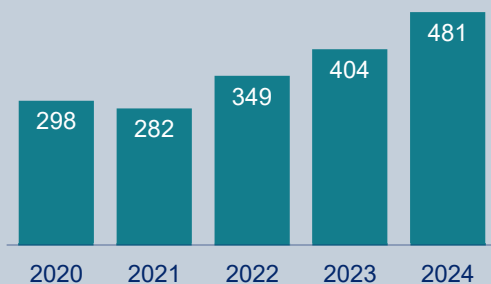


## Example of Our Work

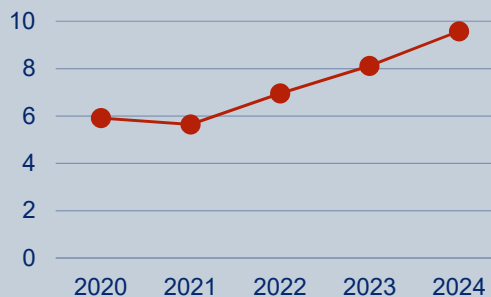
- Complainant contacted OLA with concerns about conflicts of interest involving senior leaders of a state board
- OLA requested and reviewed information from the board
- Letter to the board included recommendations to strengthen its practices
- Notified the complainant of the result of their complaint

## Increase in Numbers

Total Number of Allegations or Reports Received



Average Number of Allegations or Reports Received Per Week



## Increase in Numbers

### 1. More preliminary assessments

- Review materials, laws, and policies; analyze financial data; conduct interviews

### 2. More communications

### 3. More work we could do

## Communications

Over  
**600**  
official  
communications  
for items received  
in 2024

- Acknowledging receipt
- Closing complaints and providing resources
- Referring issues to local, state, and federal agencies and to law enforcement
- Requesting information from state agencies

## Limited-Scope Projects

- A majority of the complaints and reports we receive do not rise to the level of a full special review
- Some issues warrant an inquiry or limited special review
- Commonly results in a written response and involves standard audit and evaluation methods
- In 2024, we worked on limited-scope projects related to over 40 issues

## Special Reviews

### Released in 2024:

- Law Enforcement Compensation: 2022 Wage and Benefit Review
- Minnesota Department of Education: Oversight of Feeding Our Future

### Ongoing:

- Department of Natural Resources' Timber Harvest Decisions in Wildlife Management Areas

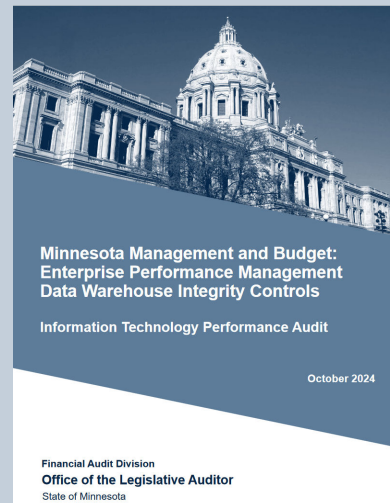
## OLA Budget Options

| Option Number | Staffing Change                                   | Total Staff | FY 2026 (000) | FY 2027 (000) |
|---------------|---|-------------|---------------|---------------|
| 1             | Current Staff (no change)                         | 72          | \$11,526      | \$11,798      |
| 2             | Add 4 Special Review Staff                        | 76          | \$12,131      | \$12,448      |
| 3             | Add 4 Financial Audit or Program Evaluation Staff | 76          | \$12,131      | \$12,448      |
| 4             | Add 4 Special Review and 4 Additional Staff       | 80          | \$12,736      | \$13,098      |



## OLA Year in Review

- Nine performance audits
- Five program evaluations
- Two special reviews
- Financial statement audits for:
  - State of Minnesota
  - MSRS, PERA, TRA



## Recent Audits Under Committee's Jurisdiction

- [Minnesota State Lottery](#)
- [MMB: Enterprise Performance Management Data Warehouse Integrity Controls](#)
- [Office of the Secretary of State](#)
- [Oversight of State-Funded Grants to Nonprofit Organizations](#)
- [Office of the Governor and Lieutenant Governor](#)
- [Board of Cosmetology Licensing](#)

# Minnesota State Lottery

## Performance Audit

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## Minnesota State Lottery Overview

- Established in 1989
- Contracts with retailers to sell lottery tickets
- Excluded from MNIT responsibility and oversight
- Net proceeds fund the State of Minnesota:
  - Environment and Natural Resources Trust Fund
  - General Fund

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20

## Lottery Gaming Systems (pp. 15-16)

- Gaming systems supported by third parties
- Security requirements dictated by the Multi-State Lottery Association (MUSL)



Central Gaming System



Internal Control System



Retailer Terminals

## Audit Objectives and Scope

### Objectives

Did the Minnesota State Lottery:

- Have adequate internal controls?
- Comply with significant legal requirements?
- Have appropriate security administration procedures and controls?
- Resolve prior audit findings?

### Scope

- July 1, 2021 – December 31, 2023

## Audit Results

- Generally did not have adequate internal controls
  - IT focus on controls
- Generally complied with significant legal requirements
  - Identified some notable concerns

## Status of Prior Audit Findings (p. 9)

Last audited by OLA in 2016 – 9 findings:

- 5 resolved
- 3 partially resolved
- 1 not part of audit scope

## IT-Related Audit Areas

- Gaming systems
- Physical security
- Access management
- Network security
- Vulnerability and configuration management
- Incident response and disaster recovery

## System Access Management (pp. 37-38)

### Findings

- No annual review of all access
- Inadequate separation of duties

### Recommendations

- Perform annual review of all systems and accounts
- Ensure separation of duties among IT staff

## **Vulnerability and Configuration Management (pp. 40-41)**

### **Finding**

Vulnerability and configuration management program does not meet best practices

### **Recommendations**

- Develop procedures to consistently log, track, and resolve vulnerabilities based on severity
- Develop vulnerability metric reports for management
- Implement configuration compliance scanning

## **Incident Response and Disaster Recovery (pp. 42-43)**

### **Finding**

Inadequate documentation, testing, and staff training for response to a significant incident

### **Recommendations**

- Improve incident response procedures
- Ensure post-incident reviews are documented and include all stakeholders
- Perform regular testing and training on incident response and disaster recovery plans and procedures

## Other Audit Areas

- Lottery retailers
- Scratch games
- Employee background checks
- Management survey

## Retailer Background Checks (pp. 19-20)

### Finding

No verification that retailers do not have disqualifying convictions

### Recommendation

Verify that retailers have not been convicted of disqualifying crimes

Disqualifying convictions  
within the previous 5 years

- Felony
- Gross misdemeanor
- Fraud
- Misrepresentation
- Gambling-related offense

## Late Renewal of Retailer Contracts (p. 23)

### Finding

Retailers with expired contracts continued selling tickets

### Recommendations

- Do not permit retailers with expired contracts to sell tickets
- Implement controls to ensure contracts are renewed prior to their expiration date

## Survey of Lottery Employees (pp. 45-49)

| Value Employee Input |                                   |
|----------------------|-----------------------------------|
| Executive Leadership | 52% disagree or strongly disagree |
| Direct Supervisor    | 81% agree or strongly agree       |

| Appropriate Responses to Concerns |                   |
|-----------------------------------|-------------------|
| Executive Leadership              | 78% responded no  |
| Human Resources                   | 77% responded no  |
| Direct Supervisor                 | 54% responded yes |



## Office of the Legislative Auditor

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33