

MINNESOTA DEPARTMENT OF PUBLIC SAFETY



Alcohol and Gambling Enforcement Division

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July 14, 2004

Legislative Reference Library
Acquisitions Dept.
645 State Office Bldg.
St. Paul, MN 55155

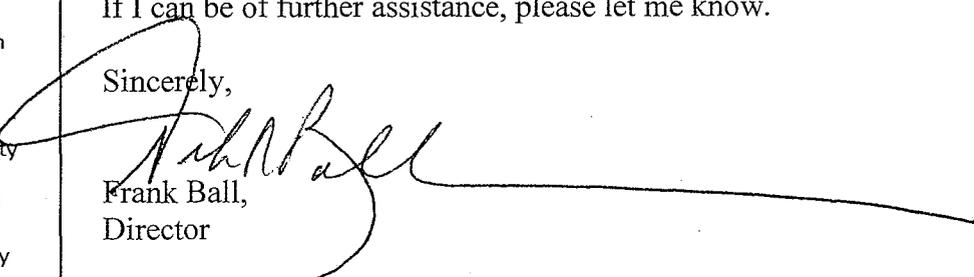
Re: Lottery Security Audit

Dear Madam or Sir:

Pursuant to MN 299L.02, Subd 1c, our division performs the referenced review annually. I have enclosed six copies of the 2004 Minnesota Lottery Security Audit for inclusion in the Legislative Reference Library.

If I can be of further assistance, please let me know.

Sincerely,


Frank Ball,
Director

cc: Commissioner's Office, Department of Public Safety

MINNESOTA DEPARTMENT OF PUBLIC SAFETY



Introduction:

Type of Report: **2004 LOTTERY AUDIT REPORT**

Pages: 2

Submitted by: SA Jill Ahart

Case Number: 04000133

Synopsis:

The Alcohol and Gambling Enforcement Division conducted an annual security audit for the Minnesota State Lottery. SA Ralph Shingledecker and SA Jill Ahart conducted the audit between April 22 and June 29 of 2004.

Summary:

Between April 22 and June 29, 2004, SA Shingledecker and SA Ahart of the Minnesota Alcohol and Gambling Enforcement Division conducted a review of the four regional lottery offices located in Virginia, Detroit Lakes, Marshall, and Owatonna and the lottery headquarters in Roseville, Minnesota. This year's review primarily centered around the physical security of the offices and also internal controls related to scratch-off tickets, including ticket inventory and redemption transactions.

SA Shingledecker and SA Ahart reviewed the physical security at each site including work area security, visitor control, and overall operational security. The warehouse area at each regional site was also reviewed.

The Minnesota State Lottery regional offices and warehouse areas are protected by state of the art entry detection systems. Access to different areas of the offices and warehouses are enhanced by an employee card control system or keys. As previously stated in the 2002 Lottery Security Annual Report, all regional offices now have a radio backup system in place to ensure that the alarm will activate at the proper location should any unauthorized entry occur. The radio backup systems were installed as a result of the May 23, 2002 burglary of the Eagan Regional Office.

There have been significant changes that have occurred with the Minnesota State Lottery in the last year as a result of a substantial cut in their budget. The Minnesota Lottery was forced to lay-off 25 percent of their employees throughout the state and close the regional offices in Brainerd and Eagan. The computer back up system which has been located in the Eagan office will be moved to the Owatonna office in the next year. There has also been a shift in job responsibilities throughout the offices to compensate for laid-off employees.

The Minnesota State Lottery Security Investigation division continues to do an excellent job of keeping the regional offices updated in the latest security measures. As stated in past reports, the Lottery Security staff strives to maintain the prevention and detection of unauthorized personnel during business and non-business

hours. Panic alarms are in place at each of the offices along with other alarms designed for the safety of employees and the public.

Conclusions:

The Minnesota Lottery continues to maintain a high level of security. It is clear that it has been an ongoing policy by all lottery offices to ensure the safety of its employees and the security of the facilities.

Individual Lottery Headquarters and Regional Offices Audit Reports:

Minnesota State Lottery Headquarters - Roseville

2645 Long Lake Road

Roseville, Minnesota 55113

On June 25, 2004, a review of the Minnesota State Lottery Office in Roseville was conducted by SA Ahart with the assistance of Investigator Jim Jerylo and Assistant Games Control Manager Todd Vodden. This review was conducted at the request of the Minnesota State Lottery.

Since June of 2003, the Minnesota State Lottery was forced to cut 25 percent of their employees throughout the state due to budget constraints. The majority of those employees who were laid off worked out of the Roseville office.

Jerylo stated that there have not been any facility improvements made to the Roseville Lottery Office since June of 2003. Jerylo did state that in the next year there will be considerable remodeling done to the interior of the building including extending the interior walls of the warehouse. The warehouse in Roseville needs to be expanded due to the warehouse in Eagan being downsized. The Roseville warehouse will now store what the smaller Eagan warehouse can no longer house. In addition to the warehouse expansion, the interior of the building will also be rearranged to accommodate G-Tech moving into the building. G-Tech previously officed out of the Lottery Office Building, but later moved to a nearby Roseville location. G-tech will now be moving back in to improve the efficiency of their working relationship with the Lottery. G-Tech will lease their work space from the Lottery, which will help improve the Lottery's budget.

The physical security of the building was discussed. The building is equipped with various alarm and sensor/detector devices, all being monitored by General Service Security Company (GSSC) in Bloomington. All security measures were reported to be in good working order.

Jerylo stated that all keys to the building are accounted for. With regards to collecting keys from the employees who were laid off in October 2003, Jerylo stated that those employees' access codes were simply eliminated.

SA Ahart and Assistant Games Control Manager Todd Vodden discussed various internal controls related to Lottery scratch-off tickets. These internal controls appear to be satisfactory and well adhered to.

Minnesota State Lottery Regional Office - Detroit Lakes

1111 Highway 10 East

Detroit Lakes, Minnesota 56501

On June 29, 2004, a review of the Detroit Lakes Regional Office of the Minnesota State Lottery was conducted by SA Shingledecker at the request of The Minnesota State Lottery.

The facility's security and procedures were reviewed. The warehouse facility adjoining the office was also reviewed. Manager Jerry Ouren accompanied SA Shingledecker through the facility. This facility has a doorway between the warehouse and the office area that requires a key on both sides which has the potential to be a safety hazard for employees. Manager Jerry Ouren stated that the facility will be under construction shortly to facilitate office space for MSRS. It appears as though the new construction will eliminate the door and, therefore, the problem.

The safe combination has been changed as a result of a change of employees.

Security around the outer perimeter of the building is good with minor obstructions to sight noted. The shrubbery around the building is getting tall enough that it could become a sight obstruction for Law Enforcement personnel.

Minnesota State Lottery Regional Office - Marshall
750 West College Drive
Marshall, Minnesota 56258

On April 22 and June 15, 2004, SA Ralph Shingledecker and SA Jill Ahart, respectively, conducted an audit of the Marshall Regional Office of the Minnesota State Lottery. These audits were conducted at the request of the Minnesota State Lottery. The audit conducted by SA Shingledecker focused primarily on the physical security of the building. SA Ahart's audit focused primarily on internal controls related to Lottery scratch-off tickets.

SA Ahart's audit was conducted with the assistance of Store Clerk Ted De Rode. SA Ahart also met with Manager Doug Landsman upon concluding her audit. SA Ahart and De Rode discussed various items related to Lottery scratch off tickets. These internal controls appear to be satisfactory and well adhered to.

SA Shingledecker reviewed the security and procedures for the office area. The warehouse facility adjoining the office was also reviewed.

The door leading from the warehouse to the office area was equipped with a lock that appeared to be installed on the wrong side. The lock has been changed and is now in satisfactory working condition.

Due to lay-offs, two employees have relocated to other regional offices and all keys are accounted for.

The alarm system was checked within the last 60 days and worked properly.

The exterior of the building was inspected for possible security issues but none were found.

Minnesota State Lottery Regional Office - Owatonna
205 Cedardale Drive SE
Owatonna, Minnesota 55060

On June 16, 2004, a review of the Owatonna Regional Office of the Minnesota State Lottery was conducted by SA Ahart with the assistance of Manager Mark Heiling, Store Clerk Julie Starkson, and Secretary Jackie Rosendahl. This audit was conducted at the request of the Minnesota State Lottery.

Since June of 2003, the Owatonna office lost three employees as a result of budget cuts. Those lay-offs occurred in October of 2003. Some procedural changes have occurred as a result of these lay-offs.

With regards to facility improvements, Heiling stated that a safe had been installed since June of 2003. Heiling stated that the code for the safe was changed in October of 2003 after an employee lay-off. Also, it appears that with the Eagan Regional Office closing, the Owatonna Regional Office will become the new computer back-up site (disaster recovery site) for the Lottery.

The physical security of the building was discussed. The building is equipped with various alarm and sensor/detector devices, all being monitored by General Service Security Company (GSSC) in Owatonna. Also, the Lottery Security Agents come from Roseville quarterly to perform their own tests on the building's security. Heiling believed Charlie Miles was last at the Owatonna Regional Office during the beginning of April 2004 conducting various checks.

Heiling stated that all keys to the building are accounted for, including keys that were retrieved from their employees who were laid off in October 2003.

SA Ahart and Heiling discussed internal controls related to Lottery scratch-off tickets. These internal controls appear to be satisfactory and well adhered to.

Minnesota State Lottery Regional Office - Virginia
5463 17th Avenue West
Virginia, Minnesota 55792

On June 22, 2004, a review of the Virginia Regional Office of the Minnesota State Lottery was conducted by SA Shingledecker at the request of the Minnesota State Lottery. Manager Greg Moir was present during the inspection.

The office's facility security and procedures was reviewed. The alarm system was last checked by Jim Jerylo, security investigator for Minnesota State Lottery office and was reported to be in good working order. The warehouse facility adjoining the office was also reviewed.

Three employees have been laid off since the audit of 2003. All alarm codes and the safe combination have been changed since the departure of the employees.

A review was done of the internal controls and all controls seem to be working well.

Security around the outer perimeter of the building is excellent with no obstructions to sight noted. All other aspects of the inspection were found to be correct.