MINUTES OF THE HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Chairperson Garry Boston at 1:30 p.m. on February 13, 1996 in Room 519-S of the Capitol.

All members were present except: Representative Cliff Franklin, Excused
Representative Britt Nichols, Excused
Representative L. Candy Ruff, Excused
Representative Dale Swenson, Excused

Committee staff present: Mary Galligan, Legislative Research Department
Mary Ann Torrence, Revisor of Statutes
Alice Barron, Acting Committee Secretary

Conferees appearing before the committee: Leo Hafner, Manager, Legislative Post Audit
Barbara J. Hinton, Legislative Post Auditor

Others attending: See attached list

Leo Hafner, Manager, Legislative Post Audit, gave a briefing on United Tote. This audit was the fifth of six audits that the Legislative Post Audit authorized be done on the racing industry in Kansas. The last audit is on parimutuel and that is still to be completed. United Tote Company provides and maintains the computer system that issues the racing tickets and totals up the bets and payouts at all three of the Kansas racetracks. The company is headquartered in Shepard, Montana and it is a wholly owned subsidiary of Video Lottery Technologies, Incorporated. This particular audit was conducted by the management division of Baird Kurtz & Dobson of Kansas City.

The firm was asked to evaluate all aspects of the parimutuel tote system at each of the three tracks. Some of the things we asked to make sure was happening was that all betting revenues was accurately entered and recorded into this system. The tickets can not be altered or counterfeited, that the system accurately computes the amount to be paid on winning tickets, that all voided betting tickets are properly accounted for, that all cashed in winning tickets are properly accounted for and that tickets can not be produced after a race is already started. In conducting their work essentially what the auditors did was develop a long list of controls that would be expected to be built into a computer system of this type, to see if the company had these controls in place and if they appeared to be working.

The audit concluded that United Tote Company's parimutuel systems are suitably designed to provide adequate controls and their systems were operating effectively at the two Kansas tracks that were still in operation at the time of the audit. By the time the firm had started their work Camptown had already closed so were unable to test their system. The firm did cite some exceptionaries where the control was inadequate. A lot of the problems the auditors cited had to do with the company not having well documented procedures. Some of the more serious weaknesses that the auditors pointed out really had to do with access to the equipment and into the operation manuals. They found out that neither the company or the tracks were using identification numbers or pass words to limit access to computer equipment and make certain only authorized personnel could access. The system command books were documted and available in the computer room so anyone could walk in there and have access and operate the system. As a result it was felt there was a security risk regarding access and that needs to be addressed. United Tote stated there were some unauthorized personnel in the computer room during nonworking hours.

Another significant area was that the tracks and United Tote developed a formal disaster recovery plan which would allow for continuance of the operation in the event of a disaster. Also, they don't have very good procedures for backing up their parimutuel systems and the information is processed by the computer system. Apparently the procedures did not address things like how long a back-up should occur and where that back-up material would be stored. Those are the main areas the tracks needs to work with United Tote to try to get some of those areas under control and make certain things are taken care of. (See Attachment #1)

The Chairman opened the hearing on **SB 407 - Legislative Post Audit Reports, Confidentiality.**

Barbara J. Hinton, Legislative Post Auditor, stated the Senate passed legislation introduced by the Legislative Post Audit Committee that would make audit reports prepared by Legislative Post Audit confidential until they

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

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CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE FEDERAL AND STATE AFFAIRS, Room 519-S
Statehouse, at 1:30 p.m. on February 13, 1996.

are presented at an open meeting to the Committee or to another legislative committee.

As Committee rules currently require, those reports would become public at the start of the meeting where they are presented. The proposed legislation would simply codify the Committee's actual practice for the past seven years. (See Attachment #2)

Representative Cox moved and Representative Samuelson seconded that **SB 407** be moved out of committee favorably. The motion carried.
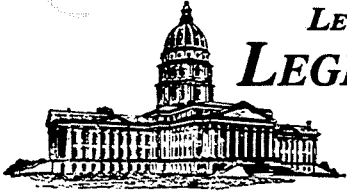
The meeting adjourned at 1:55 p.m.

The next meeting is scheduled for February 14, 1996.

FEDERAL & STATE AFFAIRS COMMITTEE GUEST LIST

DATE: _____ Feb. 13, 1996 _____

NAME	REPRESENTING
Keith Peterson	Sunflower Racing
Dan Lewien	SRS Div of Audit Seal.
Paulin Brooks	
Tom Bruno	Alleust Assoc.
Pat Hubbell	UGP
John Reinhart	Ks Press Assn
Amy Newell	NGP
Mijou E. Seife	Racing Commission

LEGISLATURE OF KANSAS
LEGISLATIVE DIVISION OF POST AUDIT

MEMORANDUM

FROM: Legislative Division of Post Audit

SUBJECT: UNITED TOTE: A Report of Policies and Procedures Placed in Operation and Tests of Operating Effectiveness

DATE: February 1996

The Legislative Post Audit Committee reviewed the performance audit report, *United Tote: A Report of Policies and Procedures Placed in Operation and Tests of Operating Effectiveness, November 23, 1995*, at its meeting February 1, 1996. This audit was conducted by the certified public accounting and consulting firm of Baird Kurtz & Dobson under contract with the Division.

The audit concluded that United Tote Company's parimutuel systems are suitably designed to provide adequate controls, with some exceptions. The audit further concluded that those systems were operating effectively at the two Kansas tracks still in operation at the time of the audit. While the exceptions noted by the auditors deal mainly with the need for better documentation, the auditors found that United Tote and the tracks didn't adequately control access to the parimutuel systems, including such things as limiting access to the system to authorized personnel through user identification numbers or passwords. Further, system commands are documented and readily available in the computer room. As a result, a serious security risk exists for unauthorized access or sabotage. In fact, according to the auditors, United Tote personnel have noted unauthorized access outside normal operating hours.

Although only this one deficiency appears to pose a major risk to the integrity of parimutuel operations, it does seem to represent a serious and significant risk. In its response to this finding, United Tote Company disagreed with the degree of risk seen by the auditors.

The attached document is the auditors' management letter, which highlights the audit's findings and recommendations. The full 60-page report, which also presents control objectives for parimutuel systems, United Tote's procedures to address those objectives, the auditors' tests of United Tote's procedures, and United Tote's response to the auditors' findings, is available from Legislative Post Audit upon request.

Fed & State
2-13-96
Atch #1

LEGISLATURE OF KANSAS
LEGISLATIVE DIVISION OF POST AUDIT

ELECTRONIC DATA PROCESSING
MANAGEMENT LETTER

NOVEMBER 20, 1995

Legislature of Kansas
Legislative Division of Post Audit
Topeka, Kansas

As a result of our examination of the General Control Objectives and Descriptions of Policies and Procedures and tests of operating effectiveness of the Woodland's electronic data processing environments, we noted the following result and offer our recommendations for management's consideration.

Overall Management Objectives

In order to place some perspective on these results and recommendations, a review of the overriding management objectives related to internal control is needed. One of management's primary responsibilities is to establish specific internal control structure policies and procedures concerning the entity's ability to record, process, summarize and report financial data that is consistent with management's assertions. To achieve these objectives, United Tote Company management has developed an internal control structure that addresses those control objectives. As with any system, there are continuous changes that are made to keep up with new developments and changes within the organization. These changes often affect the internal control structure's design, including system specifications, compliance procedures and personnel training, along with the monitoring and testing standards.

UNITED TOTE COMPANY

GENERAL CONTROL RESULTS AND RECOMMENDATIONS

Organization and Administration

Control Objective

Documented administrative and operational procedures should be maintained through published organizational charts, job descriptions and published policies and procedures manuals. The development of these policies and procedures should involve senior management, other than IS management, in reviewing and approving IS policies, planning and direction.

Results

The Company's job descriptions only partially describe the actual tasks and responsibilities of the operations and are not communicated to personnel. Management does publish and document administrative and operational procedures and is involved in reviewing and planning such policies and procedures.

Recommendation

We encourage senior management to continue to devote the necessary resources until formal job descriptions are documented and distributed to all employees. Employees will benefit by understanding their assigned responsibilities, expected performance and how evaluation procedures correspond to those described in the procedure manuals.

Control Objective

Personnel recruiting and promotion practices should be based on objective criteria and should consider education, experience, responsibility, honesty and integrity, and with regard to promotion practices, past performance.

Results

The control policies and procedures are not properly designed and, as a result, not effective in practice.

While United Tote has developed basic job descriptions for its operations personnel, these are not used to evaluate and promote personnel. No written criteria exists for promoting personnel, most promotions are based upon subjective evaluations of the skills obtained by the operator(s). The evaluations are determined by the individual's direct supervisor. Turnover within the lower-level positions is high.

GENERAL CONTROL RESULTS AND RECOMMENDATIONS

Recommendation

The Company should consider a formal, documented process that lists requirements and other criteria for promotion.

Control Objective

A charter for the internal audit function should be established by the organization's senior management. This document should outline the independence, authority, and accountability of the internal audit function. The charter should be reviewed by top management periodically to assure that the internal audit functions are maintained and proper risk assessments are being addressed in a complete and timely manner.

Results

The control policies and procedures are not properly designed and, as a result, are not effective in practice.

Management has not formally developed and documented comprehensive internal audit policies and procedures that incorporate risk assessments or policies to continuously review planned procedures at the track level.

Recommendation

We encourage management to establish an internal audit charter. Management should define the internal audit charter based upon the control objective's definition.

Control Objective

Employees should be provided detailed training upon hiring and be given ongoing training/cross-training to maintain and improve their knowledge, skills and abilities.

Results

The control policies and procedures are not properly designed and, as a result, are not effective in practice.

United Tote does not have formal, written guidelines for conducting training.

Recommendation

UNITED TOTE COMPANY

GENERAL CONTROL RESULTS AND RECOMMENDATIONS

The Company should develop a formal training program to ensure that the knowledge requirements for its operating personnel are met on an ongoing basis. This program should be documented and each employee's progress should be monitored against the program.

Security and Backup Procedure Controls

Control Objective

The logical and physical security should be assigned to the information security manager, who reports to senior management regularly.

Results

The control policies and procedures are not formally documented. With the noted exception, the control policies and procedures are properly designed and effective in practice.

Recommendations

It is our recommendation the duties described above be documented either in the job descriptions or a separate security manager function charter.

Control Objective

The IS department should maintain a Disaster Recovery Plan for processing critical applications in the event of a significant system failure or destruction, including procedures to assure safety of its staff during times of emergency. This plan should be tested and updated yearly. Proper training should be conducted prior to testing.

Results

The control policies and procedures are not properly designed and, as a result, are not effective in practice.

UNITED TOTE COMPANY

GENERAL CONTROL RESULTS AND RECOMMENDATIONS

United Tote does not have an overall policy regarding disaster recovery plans. Additionally, operators do not have specific written recovery procedures available.

Recommendation

The Company should establish an overall disaster recovery plan to be used at its sites. This plan would be a general plan which could be customized into site specific plans. This plan should include, but not be limited to, the following topics:

Emergency Action- Procedures for reacting to crisis, ranging from activation of alarms to emergency evacuations.

Notification- Procedures for notifying relevant personnel in the event of a disaster. A contact list of home and emergency phone numbers should be included.

Disaster Declaration- Procedures pertaining to the assessment of damage following a disaster, criteria for determining whether the situation is a disaster, and procedures for declaring a disaster and invoking the plan.

System Recovery- Procedures to be followed to restore critical and vital systems at emergency services levels within a specified time frame in accordance with the systems recovery strategy defined in the plan. This includes procedures to restore from back-up tapes. Another business in town may be able to provide temporary use of their system as a back-up site to process critical items. If such an agreement can be reached, it needs to be in writing specifying processing time availability, disk space, user priorities, system compatibility, limitations, etc.

User Recovery- Procedures for recovering critical and vital user functions within a specified time frame in accordance with the planned strategy. This includes the documentation of the instructions for processing data manually that might have been previously processed via an automated system. Even if the manual procedure was the standard at one time, knowledge of such should not be assumed. The list of processing priorities should also be included.

Salvage Operations- Procedures for salvaging facilities, records and hardware, often including the filing of insurance claims and the determination of the feasibility of reoccupying the disaster site.

Relocation- Procedures for relocation of emergency operations to the original or a new facility and their restoration to normal service levels.

UNITED TOTE COMPANY

GENERAL CONTROL RESULTS AND RECOMMENDATIONS

Control Objective

The IS department should have necessary backup procedures documented to minimize recovery time during emergency situations. Daily, weekly and monthly backup procedures should be in place for hardware, software, and data files.

Results

The control policies and procedures are not properly designed and, as a result, are not effective in practice.

United Tote does not have written policies for performing backup procedures.

Recommendation

The Company should establish a written policy regarding backup procedures at each site. The policy should outline the frequency of backups, specific software and data required for backup, and secure locations for storing the backups.

Library and Storage Controls

Control Objective

Responsibilities for media library management, including inventory procedures, should be assigned to specific members of the IS Department staff, and housekeeping procedures designed to protect media library contents should be established by the Department.

Results

The control policies and procedures are not properly designed and, as a result, are not effective in practice.

The Company does not require its sites to have an area or room designated as a media library.

Formal policies do not exist to describe the access to and usage of the Company's applications and production files.

UNITED TOTE COMPANY

GENERAL CONTROL RESULTS AND RECOMMENDATIONS

Recommendation

We recommend that United Tote require fire proof storage facilities for all installation sites. These facilities would protect backups from loss and damage. In addition, a complete set of back-up tapes should be stored off-premise for additional security.

Input/Output and File Controls

<u>*Control Objective*</u>

Data communications, communication lines and devices should be adequately controlled, supervised and secured. Data accuracy and integrity should be assured.

Results

The Company has no formal written guidelines to control the security and supervision of equipment and communication lines. With the noted exception, the control policies and procedures are properly designed and effective in practice.

Recommendation

We recommend United Tote develop formal written guidelines to control security and supervision of equipment and communication lines.

Operations Control

<u>*Control Objective*</u>

All of the data processing tasks to be performed by the IS Department should be scheduled and planned to assure efficiency of operations with proper access and monitoring controls. The impact of hardware and software changes should be reflected in timely updates to the data operations schedule, plan and related manuals.

Results

The Company does not have written policies and procedures to standardize the informal nature of some of its processing tasks and operations. With the noted exception, the control policies and procedures are properly designed and effective in practice.

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WICHITA GREYHOUND PARK & THE WOODLANDS OPERATIONS

GENERAL CONTROL RESULTS AND RECOMMENDATIONS

Recommendation

We recommend management formally document the daily processing tasks and operation procedures. Such a document would alleviate the majority of the confusion and frustration during training periods and daily processing.

Organization and Administration

Control Objective

The data center should be organized to provide adequate internal segregation and supervision of duties and functions.

Results

Job descriptions for all track operation positions have been formally developed but not distributed. With the noted exception, the control policies and procedures are properly designed and effective in practice.

Recommendation

Job descriptions for all track operation positions should be distributed to clearly set forth the job requirements of each position at the track.

Control Objective

Documented administrative and operational procedures should be maintained through published organizational charts, job descriptions and published policies and procedures manuals. The development of the policies and procedures should involve senior management, other than IS management, in reviewing and approving IS policies, planning and direction.

Results

The control policies and procedures are not properly designed and, as a result, are not effective in practice.

United Tote does not have formal organization charts or job descriptions documented at the Woodlands or Wichita Greyhound Park operations level.

WICHITA GREYHOUND PARK & THE WOODLANDS OPERATIONS

GENERAL CONTROL RESULTS AND RECOMMENDATIONS

Daily operator job descriptions are not maintained in writing and do not clearly delineate both authority and responsibility. The descriptions do not include definitions of the technical skills needed in the relevant position and are not suitable for use in performance evaluation. Management does not review annually to ensure their adequacy and reconcile them to current organization charts.

Policies and procedures are not fully written for user and operator areas. - manual and computerized operations. The procedures do not detail internal control procedures used to control the integrity of the information.

Documentation is not in sufficient detail to allow backup personnel to easily perform these functions in the event the primary person is absent.

Recommendation

The user manuals should include:

- A narrative description of the system
- A description of the input, the flow of data through the processing cycle, and the output
- The step-by-step procedures required for processing including data integrity controls
- The requirements for preparing and entering input data
- The requirements relevant to each output (e.g., format and frequency).
- A list of error codes or conditions generated by the system and the corrective actions to be taken by the user

The operator manual should include:

- A diagram of the input, output, data files, and sequence of operations of the system
- An inventory of all programs included in the system
- A diagram of the system hardware configuration
- A list of the various possible runs and a summary of each run's purpose
- The job control statements needed for each run
- Operator instructions for each run
- The restart and recovery procedures for each run
- Any emergency procedures

All policies should be dated in order to expedite tracking functions.

WICHITA GREYHOUND PARK & THE WOODLANDS OPERATIONS

GENERAL CONTROL RESULTS AND RECOMMENDATIONS

Control Objective

A charter for the internal audit function should be established by the organization's senior management. This document should outline the independence, responsibility, authority, and accountability of the internal audit function. The charter should be reviewed by top management periodically to assure that the internal audit functions are maintained and proper risk assessments are being addressed in a complete and timely manner.

Results

The control policies and procedures are not properly designed and, as a result, are not effective in practice.

Management has not formally developed and documented comprehensive internal audit policies and procedures that incorporate risk assessments or policies to continuously review planned procedures at the track level.

Recommendation

We encourage management to establish an internal audit charter. Management should define the internal audit charter based upon the control objective's definition.

Control Objective

Employees should be provided detailed training upon hiring and be given ongoing training/cross-training to maintain and improve their knowledge, skills and abilities.

Results

United Tote lacks a formal orientation and continuing education training plan to ensure personnel's knowledge requirements are met on an ongoing basis. With the noted exception, the policies and procedures are properly designed and effective in practice.

Recommendation

United Tote should develop a formal training program to ensure that the knowledge requirements for its operating personnel are met on an ongoing basis. This program should be documented and each employee's progress should be monitored against the program.

WICHITA GREYHOUND PARK & THE WOODLANDS OPERATIONS

GENERAL CONTROL RESULTS AND RECOMMENDATIONS

Security and Backup Procedure Controls

Control Objective

Access to the computing resources and/or computer equipment room should be limited to those individuals with a documented and authorized need for such access. Layers of logical and physical access controls should be provided to protect the resources against unauthorized use or modification, damage or loss.

Results

The control policies and procedures are not properly designed and, as a result, are not effective in practice.

Physical Access-

Woodlands Operation - United Tote has had difficulty acquiring a combination lock for the door of the computer room. The present system requires a key for access privileges. United Tote operators have recognized unauthorized access does occur beyond normal operating hours. Several instances in the past have occurred, for example: the lock on the door had been changed without United Tote being notified or given new access keys, phone repair vendors have been granted access without notifying United Tote, and operators have come to work finding track personnel in the computer room without proper authorization.

Neither track has a documented list of track personnel with access rights or require visitors or maintenance personnel to sign a visitors log upon access. Procedures for adding personnel to the computer system are not documented.

Logical Access-

Track operators do not utilize user IDs or passwords for access to the United Tote system. The system is run by commands. All of the operation commands are documented in the Field Operations Manual. Both tracks keep the manual inside the computer room. This presents a serious security risk for sabotage and/or unauthorized access.

WICHITA GREYHOUND PARK & THE WOODLANDS OPERATIONS

GENERAL CONTROL RESULTS AND RECOMMENDATIONS

One of the reports utilized by the Woodlands is the Terminal Sales report. This report summarizes the days activities by teller name and user ID. Because social security numbers are easily obtainable, access could be gained. Woodlands does not require tellers to change their passwords on a regular basis.

Wichita does not require tellers to change their passwords on a regular basis.

Recommendation

We recommend United Tote meet with Woodlands' senior management and explain the potential risks associated by continuing with present access procedures. We also recommend installation of a combination lock on the door. Only the United Tote's operators and regional manager and Woodlands' general manager and mutuel manager should have knowledge of the combination.

To prevent unauthorized logical access, we recommend front-end security be added to the system. All teller passwords should be unique and the responsibility of the tellers. United Tote operators should not assign passwords. The system should prompt the operators and tellers to change their passwords at least every forty-five days.

All system documentation should be kept under lock and key when not in use by the operators.

Control Objective

The logical and physical security should be assigned to the information security manager, who reports to senior management regularly.

Results

The control policies and procedures are properly designed and effective in practice, but not formally documented.

Recommendation

It is our recommendation the duties described above be documented either in the job descriptions or a separate security manager function charter.

WICHITA GREYHOUND PARK & THE WOODLANDS OPERATIONS

GENERAL CONTROL RESULTS AND RECOMMENDATIONS

<u>Control Objective</u>

The provision for fire protection of the information systems data processing operations should conform to the generally accepted standards for such protective measures.

Results

The control policies and procedures are not properly designed and, as a result, are not effective in practice.

The tote rooms at Wichita and the Woodlands do not have specific fire protection policies and procedures. Wichita does not have a fire extinguisher in the computer room.

According to United Tote personnel, Woodlands and Wichita management has not executed a fire evacuation drill in the past three years. Responsibility for fire protection of the system lies with the racetrack association.

Recommendation

A fireproof box should be located in the room for daily back-ups and sensitive documents before they are taken off-site. In addition, periodic fire and evacuation drills should be performed and results documented.

Both computer operation rooms have sufficient fire protection provided by halon systems. A fire extinguisher should be purchased for the Wichita operation.

<u>Control Objective</u>

The IS department should maintain a Disaster Recovery Plan for processing critical applications in the event of a significant system failure or destruction, including procedures to assure safety of its staff during times of emergency. This plan should be tested and updated yearly. Proper training should be conducted prior to testing.

Results

The control policies and procedures are not properly designed and, as a result, are not effective in practice.

WICHITA GREYHOUND PARK & THE WOODLANDS OPERATIONS

GENERAL CONTROL RESULTS AND RECOMMENDATIONS

United Tote does not maintain a Disaster Recovery Plan for processing critical applications in the event of a significant system failure or destruction, including procedures to assure safety of its staff during times of emergency and to permit the resumption of operations, manual and automated, following a disaster.

Recommendation

A disaster recovery plan should be formally written and approved as soon as possible. The plan should enable United Tote and the specific racetrack to recover the information systems efficiently and effectively from a disaster. The following is a list of the topics that should be, but not limited to, addressed in the disaster recovery plan:

> Emergency Action- Procedures for reacting to crisis, ranging from activation of alarms to emergency evacuations.

> Notification- Procedures for notifying relevant personnel in the event of a disaster. A contact list of home and emergency phone numbers should be included.

> Disaster Declaration- Procedures pertaining to the assessment of damage following a disaster, criteria for determining whether the situation is a disaster, and procedures for declaring a disaster and invoking the plan.

> System Recovery- Procedures to be followed to restore critical and vital systems at emergency services levels within a specified time frame in accordance with the systems recovery strategy defined in the plan. This includes procedures to restore from back-up tapes. Another business in town may be able to provide temporary use of their system as a back-up site to process critical items. If such an agreement can be reached, it needs to be in writing specifying processing time availability, disk space, user priorities, system compatibility, limitations, etc.

> User Recovery- Procedures for recovering critical and vital user functions within a specified time frame in accordance with the planned strategy. This includes the documentation of the instructions for processing data manually that might have been previously processed via an automated system. Even if the manual procedure was the standard at one time, knowledge of such should not be assumed. The list of processing priorities should also be included.

WICHITA GREYHOUND PARK & THE WOODLANDS OPERATIONS

GENERAL CONTROL RESULTS AND RECOMMENDATIONS

Salvage Operations- Procedures for salvaging facilities, records and hardware, often including the filing of insurance claims and the determination of the feasibility of reoccupying the disaster site.

Relocation- Procedures for relocation of emergency operations to the original or a new facility and their restoration to normal service levels.

Control Objective

The IS department should have the necessary backup procedures documented to minimize recovery time during an emergency situations. Daily, weekly and monthly backup procedures should be in place for hardware, software and data files.

Results

The control policies and procedures are not properly designed and, as a result, are not effective in practice.

Backup tapes are not taken off site daily, weekly and/or monthly for storage. Tapes are stored visibly in the computer room.

Recommendation

Back-up tapes should be taken off-site daily, weekly and monthly. Backup tapes shared on-site should be stored in a secure location at all times, not left out in the open.

Control Objective

Individuals who are not members of the IS Department data processing operations staff should be escorted by a member of that staff when they must enter the computer room.

Results

The control policies and procedures are not properly designed and, as a result, are not effective in practice.

The racetrack association is responsible for the physical security of the tote room. Visitors and maintenance personnel are not required to log in and out. There are an estimated twenty keys giving access to the computer room among Woodlands employees.

WICHITA GREYHOUND PARK & THE WOODLANDS OPERATIONS

GENERAL CONTROL RESULTS AND RECOMMENDATIONS

Recommendation

Access to the computer room during non-business hours to track employees is unnecessary, except for janitorial services. We recommend implementing visitor and maintenance log procedures to assure an audit trail exists for all activity occurring within the computer room. By implementing visitor and maintenance log procedures, both racetracks would be assured an audit trail exists for all activity occurring within the computer room.

Library and Storage Controls

Control Objective

Responsibilities for media, library management, including inventory procedures, should be assigned to specific members of the IS Department staff, and housekeeping procedures designed to protect media library contents should be established by the Department.

Results

The control policies and procedures are not properly designed and, as a result, are not effective in practice.

Procedures do not exist to control access to and usage of all the United Tote's data processing application program production files. Tapes are not controlled by lock and key or maintained off-site. United Tote does not have an area designated as the media library.

Recommendation

We recommend United Tote purchase fire proof safes for all racetrack operations. These safes would protect media from fire, water, sabotage and theft from occurring. In addition, a complete set of back-up tapes should be stored off-premise for additional security.

Input/Output and File Controls

Control Objective

Only properly authorized and approved input, prepared in accordance with management's general or specific authorization, should be accepted for processing.

WICHITA GREYHOUND PARK & THE WOODLANDS OPERATIONS

GENERAL CONTROL RESULTS AND RECOMMENDATIONS

Results

The control policies and procedures are not properly designed and, as a result, are not effective in practice.

The Woodlands does not balance the "draws" and "returns" separately from the system; therefore, validation of the system balances does not occur on a daily basis.

Separate security does not exist for the tape drives or manual input.

Recommendation

Access to the tape drives and manual input should be secured through additional user-ID and password protection. The proprietary nature of the information should warrant additional controls be put in place to safeguard against unauthorized access attempts.

<u>*Control Objective*</u>

Data communication lines and devices should be adequately controlled, supervised and secured. Data accuracy and integrity should be assured.

Results

With the exception of the Field Operations Manual being accessible, the control policies and procedures are properly designed and effective in practice.

Recommendation

The Field Operations Manual should be kept in a locked cabinet when not in use to prevent unauthorized access.

Operations Controls

<u>*Control Objective*</u>

All of the data processing tasks to be performed by the IS Department should be scheduled and planned to assure efficiency of operators with proper access and monitoring controls. The impact of hardware and software changes should be reflected in timely updates to the data processing operations schedule, plan and related manuals.

Results

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WICHITA GREYHOUND PARK & THE WOODLANDS OPERATIONS

GENERAL CONTROL RESULTS AND RECOMMENDATIONS

No formal operations schedule exists at the racetrack level.

Recommendation

We recommend management formally document the daily processing tasks and operator procedures. Such a document would alleviate the majority of the confusion and frustration during training periods and daily processing.

System Controls

Control Objective

Management should ensure that appropriate and current versions of the software are maintained and that access to system software is controlled.

Results

The control policies and procedures are not properly designed and, as a result, are not effective in practice.

The documentation lagged behind the actual software version operating at the racetracks by more than one update.

Recommendation

We recommend updating documentation whenever updates to the software occur in the future. If the documentation is not present, we recommend devoting the necessary resources towards the development.

Application Controls

Control Objective

Data query tools utilized should have adequate controls to assure data repository and validity features along with appropriate access controls.

WICHITA GREYHOUND PARK & THE WOODLANDS OPERATIONS

GENERAL CONTROL RESULTS AND RECOMMENDATIONS

Results

With the exception of the actual "outs" ticket number report, reports do not possess additional access security. This presents a security risk when dealing with the proprietary nature of the system's information. With the noted exception, the control policies and procedures are properly designed and effective in practice.

Recommendation

To prevent unauthorized logical access, we recommend access system security consisting of user IDs and passwords be added for all operators.

Kansas Racing Commission Administrative Rules & Regulations

<u>*Control Objective*</u>

Each organization licensee shall provide an alternative system of electrical supply to provide sufficient power to operate the central processing unit that accepts or stores wagering data.

Results

The control policies and procedures are not designed properly and, as a result, are not effective in practice.

The Woodlands had an incident where the UPS did not resume power to operations due to ineffective batteries. Unless the UPS is checked daily, operators cannot be absolutely assured of functioning properly.

Recommendation

The UPS should be checked daily and documented on the daily performance checklist used by the operators.

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WICHITA GREYHOUND PARK & THE WOODLANDS OPERATIONS

GENERAL CONTROL RESULTS AND RECOMMENDATIONS

We appreciate the opportunity to present these results and recommendations, which are intended solely for the information and use of management. This letter does not express an opinion on United Tote Company's overall internal control structure; it does, however, include items which we believe merit your consideration. We can discuss these matters further at your convenience and provide any implementation assistance for changes or improvements you may require.

Baird, Kurtz + Dobson

Kansas City, Missouri
November 20, 1995

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February 8, 1996

Representative Garry Boston, Chair
House Federal and State Affairs Committee
Room 156-E, Statehouse
Topeka, Kansas 66612

Dear Representative Boston:

As you know, the Senate has passed legislation introduced by the Legislative Post Audit Committee **(SB 407)** that, in brief, would make audit reports prepared by Legislative Post Audit confidential until they are presented at an open meeting to the Committee or to another legislative committee.

As Committee rules currently require, those reports would become public at the start of the meeting where they are presented. The proposed legislation would simply codify the Committee's actual practice for the past seven years.

Background Related to SB 407:

1. In 1989, the Legislative Post Audit Committee adopted rules allowing audit reports to be mailed to its members and other legislators who requested copies <u>four days before they became available to the public or the media</u>. In 1990, the Committee revised its rules to specify that reports would be distributed to members no more than <u>four days before they were scheduled to be presented to the Post Audit Committee or another legislative committee</u>.

That practice was designed to give the Committee and legislators who requested audits a chance to read audit reports before the media questioned them about those reports, and to prepare questions before those reports were presented at a meeting. This practice also gave the agency a chance to publicly present its point of view and answer questions about the audit findings at the Committee meeting, <u>before</u> the audit was reported in the press.

To help ensure that reports remained confidential until they were presented, the Committee unanimously agreed in January 1993 not to make audit reports public before a meeting. The Committee has asked other legislators who receive advance copies to honor its agreement.

In establishing the four-day advance mailing period, the Committee believed it was in technical compliance with the Kansas Open Records Act. Under that Act, audits become public once they are distributed to a majority of a quorum of the Committee. However, the Act also says "each request for access to a public record shall be acted upon as soon as possible, <u>but not later than the end of the third business day following the date that the request is received</u>."

2. On October 5, 1995, Rep. Jim Lowther, then-Chair of the Committee, Jim Wilson, and I met with Terry Nuckolls of the Attorney General's Office to discuss issues surrounding when audit reports become public documents. The issue arose because the press had requested access under the Open Records Act to a performance audit of the KU Medical Center's heart transplant program the day before it was scheduled to be presented.

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I did not provide the advance copy as requested because Committee rules prohibit staff from releasing an audit report until the start of the meeting. In addition, it was the Committee's and my belief that, by providing a copy of the report "not later than the end of the third business day following the date the request is received," we were in compliance with the Open Records Act. The press and public received copies of the Medical Center report at the start of the meeting the next day.

Ms. Nuckolls indicated she thought the Committee could not use its rules to prohibit the release of an audit report once that report had been mailed to a majority of a quorum of a legislative body.
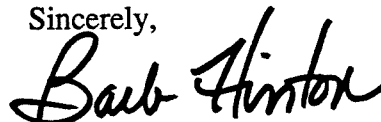
3. At its November 9 meeting, the Committee voted to amend the Legislative Post Audit Act to make audit reports confidential and not subject to disclosure under the Open Records Act until they are presented at a meeting (**SB 407**). This amendment would eliminate questions about whether Post Audit reports are public before the meeting, or whether they can be considered to be "final draft reports" when they are mailed to the Committee, which would exempt them from the Open Records Act.

4. The Legislative Post Audit Committee is committed to ensuring public access to public records. For example, unlike lawmakers in some other states, the Committee has decided to make public not only audit reports, but also audit working papers, once the report has been presented at a public meeting.

However, the Committee also believes it is good policy for its members to be able to receive advance copies of audit reports to prepare for a meeting--and for agency officials to be able to present their points of view and answer questions about the audit findings--before an audit is reported in the press. The Committee also believes its legislative oversight function is enhanced if reports are heard at a Committee meeting at the same time they are made public.

If you or your House Federal and State Affairs Committee should have any questions about the Post Audit Committee's proposed amendment, I would be happy to try to answer them. I am available at your convenience.

Sincerely,

Barbara J. Hinton
Legislative Post Auditor

cc: Senator Lana Oleen, Chair
       Representative Jim Lowther, Vice-Chair
            Legislative Post Audit Committee