

Audit Report

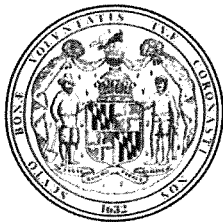
State Lottery Agency

May 2012



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY
May 21, 2012

Karl S. Aro
Executive Director

Bruce A. Myers, CPA
Legislative Auditor

Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the State Lottery Agency (SLA) for the period beginning March 17, 2008 and ending March 6, 2011. SLA generates revenue primarily for the State's General Fund through various lottery games and video lottery terminals (VLTs) to support state programs and services benefiting the citizens of Maryland.

Our audit disclosed a number of security and control deficiencies over SLA's information systems. For example, SLA's network, which provides services that support various SLA gaming systems, was not adequately secured against external threats. Additionally, mainframe security reports were not comprehensive or reviewed by independent persons.

Our audit also disclosed that SLA did not perform documented independent reviews of certain processes relating to VLT activities. There were no documented supervisory reviews to ensure that complaints received from the public at the VLT facilities were adequately resolved and that certain licenses were properly issued. Additionally, we noted that SLA should improve its monitoring of VLT operations for periods of terminal inoperability.

An executive summary of our findings can be found on page 5. SLA's response to this audit is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by SLA.

Respectfully submitted,

A handwritten signature in cursive script that reads "Bruce A. Myers".

Bruce A. Myers, CPA
Legislative Auditor

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Executive Summary

Legislative Audit Report on the State Lottery Agency (SLA) May 2012

- **A number of security and control deficiencies were noted with regard to SLA's information systems. For example, the network was not adequately secured against external threats, and mainframe security reports were not comprehensive or independently reviewed.**

SLA should take the recommended actions to improve information systems controls and security.

- **Supervisory review and approval of the resolution of incidents (complaints from the public) and instances of non-compliance with established internal control policies investigated by its employees located at various casinos was not documented.**

SLA should ensure that supervisory review is performed and documented to ensure proper disposition of these incidents and instances of non-compliance reported.

- **SLA did not adequately monitor video lottery terminals (VLT) operations for periods of VLT inoperability.**

SLA should promptly obtain and review reports identifying periods of VLT inoperability and take appropriate actions.

- **Documented supervisory reviews did not exist for the issuance of all licenses, and independent comparisons were not performed to ensure the proper fees were collected for licenses issued.**

SLA should ensure that supervisory reviews of all licenses issued are performed and documented, and that appropriate fees were collected.

Background Information

Agency Responsibilities

The State Lottery Agency (SLA) administers and operates various lottery games to generate revenue primarily for the State's General Fund, the Maryland Stadium Authority, and certain other governmental funds and agencies. In fiscal 2011, there were 4,200 licensed lottery agents that sold instant tickets and online tickets to the public through the use of computerized terminals. Online games include traditional games, such as Pick 3/Pick 4; multi-state games, such as Mega Millions and Power Ball; and monitor games, such as Keno. SLA's responsibilities for the operation of these games require continuous oversight and marketing of lottery gaming operations as well as the development of new games. SLA has entered into an agreement with an online gaming contractor to help fulfill these responsibilities as well as to perform the daily operation and maintenance of the gaming system.

The State Lottery Commission, which consists of nine members appointed by the Governor with the advice and consent of the State Senate, has oversight responsibilities for SLA's operations. In November 2008, the Commission assumed responsibility for regulating the operation of the video lottery terminal program.

Financial Information

According to SLA's audited financial statements for the fiscal year ended June 30, 2011, gross revenues totaled approximately \$1.8 billion of which:

- \$1 billion was used for prize claims;
- \$114 million was distributed for agent commissions and claims fees;
- \$111 million was used to pay SLA's operating expenses;
- \$20 million was transferred to the Maryland Stadium Authority in accordance with the State Government Article of the Annotated Code of Maryland;
- \$499 million was credited to the General Fund of the State; and
- \$67 million was credited to Other Governmental Funds/Agencies, as authorized by State law.

SLA engages an independent accounting firm to perform an annual audit of its financial statements and monthly audits of special-purpose financial statements, and to provide assistance in technical accounting matters. In the related audit reports for the fiscal years ended June 30, 2008, 2009, 2010, and 2011 the firm

stated that SLA's financial statements presented fairly, in all material respects, its financial position, results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Video Lottery Terminal Program

Chapter 4 of the 2007 special session established the operational and regulatory framework for the video lottery terminal (VLT) program in the State. In November 2008, Maryland voters approved a constitutional amendment authorizing up to 15,000 VLTs at five specified locations in the State. Upon approval of this amendment, the law which authorized the licensing of VLT gaming became effective.

Three of the five licenses to operate a VLT facility (casino) in Maryland have been awarded for the Cecil, Worcester, and Anne Arundel County locations. The gaming contractor licensees are responsible for the daily operations of the casino with onsite monitoring being performed by SLA. SLA has also entered into an agreement with a contractor to operate a central computer system that performs VLT accounting and provides monitoring, command, and control functions for the VLTs. The casinos in Cecil and Worcester Counties began VLT gaming operations on September 27, 2010 and January 4, 2011, respectively. Ground breaking for the Anne Arundel County facility took place on January 27, 2011 and it is expected to open during fiscal year 2012. As of December 2011, the State had received one bid for the Baltimore City location and two bids for the Allegany County location and was in the process of reviewing these bids.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the four findings contained in our preceding audit report dated December 8, 2008. We determined that SLA satisfactorily addressed these findings.

Findings and Recommendations

Information Systems Security and Control

Background

SLA's Division of Information Technology manages the development, maintenance, and support of SLA's information technology infrastructure, including all related networking, telecommunications, and business information systems. The Division's staff operates a mainframe computer which hosts numerous systems used for multiple purposes including: SLA agent administration, tracking of SLA annuity winners, claims administration, financial systems operations and monitoring, and review of sales. In addition, the Division operates an internal network which includes email, application, and database servers. Furthermore, the internal network connects to networkMaryland, the Internet, and a contractor network used for support of SLA games.

The SLA wide area network (WAN) also supports the oversight and monitoring of the VLTs in the casinos. WAN connections are operational for the Cecil County and Worcester County casinos and a contractor providing accounting, monitoring, and control functions for the casinos, on behalf of SLA.

As previously mentioned, SLA engaged two contractors to provide support for SLA games (including processing and oversight and monitoring of video lottery terminals and the online gaming system). SLA entered into service level agreements with these two contractors which defined the terms and requirements for the contractual services. In addition, to provide assurance that the terms of the agreements were complied with, SLA received periodic, independent reports from another contractor which included descriptions of the contractors' controls and security procedures and the results of tests designed to ensure that these controls and security procedures were effective for designated periods.

Finding 1

The SLA network was not adequately secured from untrusted traffic and the network was not adequately protected by the intrusion detection and prevention system.

Analysis

The SLA network was not adequately secured from untrusted traffic and the network was not adequately protected by the intrusion detection and prevention system (IDPS). Specifically, we noted the following conditions:

- The firewalls installed to protect the SLA network allowed unnecessary and insecure connections to network devices in the internal network. The firewalls' rules were not configured to adequately secure connections into these networks from the Internet, networkMaryland, and other untrusted sources. Therefore, critical network devices were susceptible to attacks which could result in a loss of data integrity or the interruption of critical network services.
- Network traffic from a contractor to SLA's secondary claims center and backup data center was not filtered by any SLA device. As a result, critical network devices at the centers were susceptible to attacks.
- The IDPS was not properly used to protect critical portions of the network. Specifically, the IDPS was not properly positioned to monitor and filter network traffic from two untrusted third-party networks. Also, the device used for intrusion detection and prevention had not been supported by its vendor since December 2009. As a result, the IDPS device did not protect the SLA network from new types of attacks.

The State of Maryland's Department of Information Technology (DoIT) *Information Security Policy* requires firewalls be configured to achieve a "least privilege" security strategy. The *Policy* also requires that intrusion detection/prevention tools be employed to monitor system events, detect attacks, and identify unauthorized use of information systems and/or confidential information.

Recommendation 1

We recommend that SLA

- a. configure its firewalls to achieve a least privilege security strategy giving entities, individuals, and devices only those access privileges needed to perform assigned tasks;**
- b. filter network traffic between the aforementioned contractor and the SLA's secondary claims center and backup data center to achieve a least privilege security strategy;**
- c. implement IDPS coverage for all critical portions of its network; and**
- d. ensure that its intrusion detection and prevention devices are supported by their vendors and that the devices are kept up to date for all significant vendor updates.**

Finding 2**Mainframe security reporting and review procedures were not adequate.****Analysis**

Mainframe security reporting and review procedures were not adequate.

Specifically, we noted the following conditions:

- SLA was generating a mainframe security report on a daily basis; however, this report did not include several significant security events such as creating and changing users' assigned capabilities.
- The mainframe administrator (responsible for creating and changing users, assigning special privileges, and assigning menu functions to users) was solely responsible for reviewing the mainframe security report. As a result, any security actions performed by the administrator were not subject to an independent review. In addition, although we were advised that the mainframe security report was reviewed on a daily basis, these reviews were not documented.

These conditions could result in unauthorized or inappropriate activities (affecting the integrity of the mainframe data), which could go undetected by management.

The State of Maryland's Department of Information Technology (DoIT) *Information Security Policy* requires an audit trail process to ensure accountability of system and security-related events; and a process to ensure that all systems have the ability to log and report specific security incidents and all attempted violations of system security.

Recommendation 2

We recommend that SLA

- a. **redesign the security report to include all critical security related events; and**
- b. **perform independent reviews of this security report, document these reviews, and retain the documentation for future reference.**

Finding 3

The service level agreements and the related independent reports did not address certain security and operational risks.

Analysis

The service level agreements and the related independent reports did not address certain security and operational risks. For example, we noted that the agreements did not contain a provision that required the contractors to perform daily documented reviews of audit logs, which is a DoIT requirement for State agencies. Furthermore, we noted that the independent reports, which were intended to provide assurance that the provisions of the agreements were met, did not address several information technology security related provisions of the agreements. For example, the independent reports did not indicate whether intrusion detection, malware prevention, vulnerability scanning, and antivirus protection had been implemented by the contractors. We provided SLA with complete lists of provisions which should be included in the agreements and existing provisions in the agreements that were not addressed by the independent reviews and reports.

Recommendation 3

We recommend that SLA

- a. attempt to amend the aforementioned service level agreements to add language to address the provisions that we presented to SLA;**
- b. require contractors to obtain and review the independent reports that address all critical contractual provisions relating to security, availability, processing integrity, confidentiality, and privacy contained in the contracts between SLA and the contractors and;**
- c. ensure future contracts contain provisions to address significant security and operational risks.**

Video Lottery Terminal Program**Background**

According to State law, each video lottery terminal (VLT) operator, manufacturer, gaming contractor, and video lottery employee must be licensed by the State Lottery Agency (SLA). Applicants for licenses must provide various financial information and are subject to a background investigation. According to SLA's records, as of May 2011, 1,448 licenses had been issued. In addition, vendors providing non-gaming services at the casinos (such as janitorial services) must be registered by SLA. As of June 6, 2011, 93 vendors were registered by SLA according to its records. Licensees and registered vendors are provided with

security badges that provide them access to the casino, including non-public areas.

Up to a maximum of 15,000 VLTs may be installed at the five authorized locations throughout the State. As of January 10, 2012, the Cecil County and Worcester County casinos had 2,300 operational VLTs, which are owned by the State. Under contracts with the State, nine VLT vendors provide maintenance and support and are required to meet certain timeframes to return inoperable VLTs to operation or SLA may assess liquidated damages.

Each gaming contractor operating a casino is required to comply with certain SLA-approved internal control and operational policies. State law requires an SLA employee or agent to be present during the operation of any video lottery terminal location for the purpose of receiving complaints from the public (referred to as “incidents”) and conducting investigations into the operation of the VLTs and the maintenance of the VLTs, associated equipment, and software.

Finding 4

Supervisory review and approval of the resolution of incidents and instances of non-compliance at the casinos was not documented.

Analysis

Although SLA employees assigned to monitor casino operations completed compliance control reports documenting incidents and instances of non-compliance with established internal control policies and their resolution, there was no documented supervisory review and approval of these reports. As a result, there was a lack of assurance that the appropriate action to resolve the incidents was taken. We sighted the compliance control reports completed from November 2010 to March 2011 at the two casinos in operation (for example, the Cecil County casino had 57 such reports during this period). We noted numerous incidents on the reports (such as, access to the rear of the casino not being monitored as required by the established internal control policies, the actual VLT payout rate not being in accordance with SLA’s agreed upon rate, and VLT machines experiencing unanticipated shutdowns). Although we were advised that these reports were reviewed during periodic site visits to the casinos by SLA supervisory employees, there was no documentation of these reviews.

Recommendation 4

We recommend that SLA supervisory personnel document their review and approval of the compliance control reports to ensure proper disposition.

Finding 5

SLA did not adequately monitor the VLT operations for periods of VLT inoperability.

Analysis

SLA lacked adequate procedures to monitor the VLT operations for periods of inoperability to ensure that contractual requirements had been fulfilled and that the opportunity to collect gaming revenues had been maximized. Furthermore, SLA did not assess liquidated damages against the contractors providing the VLTs when terms of the contract were not met. According to the related contracts, the contractors were required to ensure inoperable VLTs were returned to an operational state within 90 minutes, and SLA could assess liquidated damages if the contractor failed to return an inoperable VLT to an operational status within 90 minutes. The damages may be up to \$50 for each hour or fraction thereof in excess of the 90 minutes.

Beginning in February 2011, reports were available to SLA from its central VLT system that noted the time it took the contractors to return the VLTs to an operational status; however, we were advised by SLA management that as of August 2011, SLA had not obtained or reviewed these reports. We obtained the reports for the period February 2011 to August 2011 (which we did not verify). These reports indicated 78 instances of inoperability exceeding 90 minutes involving 125 VLT machines. We calculated that liquidated damages totaling \$60,000 could have been assessed for machines that were down for more than 90 minutes. According to SLA's records, the average revenue per VLT at the two operating facilities was \$182 per day.

Although SLA was unaware of the number and length of the periods of inoperability, upon our inquiry, management informed us that, in its opinion, due to the fact that the casinos have been opened less than a year and that there could be a number of undisclosed reasons for the machines being inoperable, liquidated damages would not have been assessed. Nevertheless, SLA should have been monitoring the activity.

Recommendation 5

We recommend that SLA

- a. regularly obtain and review the reports identifying the time the VLT machines are inoperable;**
- b. assess liquidated damages as permitted by the contract when deemed appropriate; and**
- c. formally document its reasons when liquidated damages are not assessed.**

Finding 6**Adequate procedures and controls were not established over the issuance of licenses and registrations and the related fees.****Analysis**

SLA lacked sufficient controls over certain aspects of the licensing functions for the VLT operations. Specifically, we noted the following conditions:

- SLA did not ensure that independent supervisory review of each license issued was documented. Our test of 10 licenses issued to certain employees who were issued badges to access the casino disclosed that SLA could not provide us with documentation supporting the independent review of 3 principal employees. A principal employee is a video lottery employee who owns, controls, or manages a license or otherwise exercises control over the video lottery function of a licensee.
- SLA had not established procedures to ensure that, upon termination, licensed and registered individuals were returning their related badges to SLA.
- There was no independent comparison performed to ensure that an appropriate fee was collected before the background investigations were performed and licenses issued. These fees, which ranged from \$187 for a non-gaming employee to \$35,000 for a manufacturer license, are initially received by an employee in the SLA Finance Office. The Finance Office employee then notifies the VLT Licensing Unit that the fees were received. However, the Unit did not ensure the appropriate fee was collected before the background investigations were conducted and licenses issued.
- SLA did not have a procedure in place to ensure that all vendors doing business with the casinos were properly registered. Registration with SLA is required so that it can ensure the business relationship is in the best interest of the State and that the companies are registered with the State of Maryland. In this regard, a May 2011 SLA internal audit report identified 23 unregistered vendors doing business with a casino during calendar year 2011.

Based on the above conditions, there was a lack of assurance that all licenses were properly issued by SLA, access to the casino facilities was properly controlled, that all license fees were properly received before background checks were performed and licenses were issued, and vendors were properly registered.

Recommendation 6

We recommend that SLA

- a. ensure that independent supervisory personnel review licenses issued and, on a test basis, verify the related approval documentation, and that these procedures are documented and retained for future reference;**
- b. establish procedures to ensure that all badges are returned upon termination;**
- c. ensure that applicable fees are collected before background checks are performed and licenses are issued; and**
- d. establish procedures to ensure that all vendors are properly registered.**

Audit Scope, Objectives, and Methodology

We have audited the State Lottery Agency (SLA) for the period beginning March 17, 2008 and ending March 6, 2011. The audit was conducted in accordance with generally accepted government auditing standards. 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 provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine SLA's financial transactions, records and internal controls, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the status of the findings included in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. The audit addressed the operation of the lottery games and VLT operations, including the accountability and controls over proceeds and payouts. In addition, the audit addressed certain SLA financial operational areas such as purchases and disbursements, checking accounts, accounts receivable, cash receipts, and information technology systems. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observations of SLA's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

SLA's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect SLA's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to SLA that did not warrant inclusion in this report.

SLA's response to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise SLA regarding the results of our review of its response.

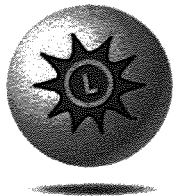
APPENDIX

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Martin O'Malley, *Governor* • Stephen Martino, *Director*



May 18, 2012

Bruce Myers, CPA
Legislative Auditor
301 West Preston Street
Room 1202
Baltimore, Maryland 21201

Dear Mr. Myers:

Enclosed please find the Maryland State Lottery Agency's responses to the Office of Legislative Audits' Report for the period March 17, 2008, and ending March 6, 2011. Additionally, an electronic version of this document has been sent to your office via email at response@ola.state.md.us.

If you have any questions or need any additional information, please do not hesitate to contact my office at 410-230-8790.

Sincerely,

Stephen L. Martino
Director

cc: J. Kirby Fowler, Jr., Chairman, Maryland Lottery Commission
Gina M. Smith, Deputy Director/CFO

Findings and Recommendations

Information Systems Security and Control

Finding 1

The SLA network was not adequately secured from untrusted traffic and the network was not adequately protected by the intrusion detection and prevention system.

Recommendation 1

We recommend that SLA

- a. configure its firewalls to achieve a least privilege security strategy giving entities, individuals, and devices only those access privileges needed to perform assigned tasks;**
- b. filter network traffic between the aforementioned contractor and the SLA's secondary claims center and backup data center to achieve a least privilege security strategy;**
- c. implement IDPS coverage for all critical portions of its network; and**
- d. ensure that its intrusion detection and prevention devices are supported by their vendors and that the devices are kept up to date for all significant vendor updates.**

SLA Response:

SLA agrees with the recommendations and as of April 2012 is in full compliance as follows:

- a. Least privileged security status was implemented during the MSLA network infrastructure upgrade that was completed in April 2012.
- b. All traffic between our claims center and the backup data center is now being filtered as the result of the installation of the new Cisco ASA firewall in our secondary claims center in April 2012.
- c. IDPS has been implemented with the installation of our IDS in April 2012.
- d. All intrusion detection and prevention devices were replaced with currently supported hardware and software during the infrastructure upgrade that was completed in April 2012.

Finding 2

Mainframe security reporting and review procedures were not adequate.

Recommendation 2

We recommend that SLA

- a. redesign the security report to include all critical security related events; and**
- b. perform independent reviews of this security report, document these reviews, and retain the documentation for future reference.**

SLA Response:

SLA agrees with the recommendations and as of November 2011 was in full compliance as follows:

- a. The security report has been redesigned and now includes all critical security events.
- b. An independent review of the security reports is being performed and documented.

Finding 3

The service level agreements and the related independent reports did not address certain security and operational risks.

Recommendation 3

We recommend that SLA

- a. attempt to amend the aforementioned service level agreements to add language to address the provisions that we presented to SLA;**
- b. require contractors to obtain and review the independent reports that address all critical contractual provisions relating to security, availability, processing integrity, confidentiality, and privacy contained in the contracts between SLA and the contractors and;**
- c. ensure future contracts contain provisions to address significant security and operational risks.**

SLA Response:

SLA agrees with the recommendations and will work with the vendors to attempt to amend the service level agreements and require contractors to obtain and review independent reports that address all critical contractual provisions as specified by the auditors. Furthermore, SLA agrees to ensure future contracts contain provisions to address significant security and operational risks.

Video Lottery Terminal Program**Finding 4**

Supervisory review and approval of the resolution of incidents and instances of non-compliance at the casinos was not documented.

Recommendation 4

We recommend that SLA supervisory personnel document their review and approval of the compliance control reports to ensure proper disposition.

SLA Response:

SLA agrees with the recommendation and supervisory personnel are documenting their review and approval of the compliance control reports to ensure proper disposition.

Finding 5

SLA did not adequately monitor the VLT operations for periods of VLT inoperability.

Recommendation 5

We recommend that SLA

- a. regularly obtain and review the reports identifying the time the VLT machines are inoperable;**
- b. assess liquidated damages as permitted by the contract when deemed appropriate; and**
- c. formally document its reasons when liquidated damages are not assessed.**

SLA Response:

SLA agrees with the recommendations.

Procedures have been implemented to monitor VLTs that have been inoperable for more than 90 minutes and to assess liquidated damages against the manufacturer service providers when deemed appropriate. As of April 30, 2012, the agency has assessed and subsequently collected \$22,200 in liquidated damages for periods of VLT inoperability for the period of February 2011 through February 2012. VLT inoperability is reviewed on a monthly basis, and liquidated damages are assessed when deemed appropriate or reasons for not assessing damages are formally documented.

Finding 6

Adequate procedures and controls were not established over the issuance of licenses and registrations and the related fees.

Recommendation 6

We recommend that SLA

- a. ensure that independent supervisory personnel review licenses issued and, on a test basis, verify the related approval documentation, and that these procedures are documented and retained for future reference;**
- b. establish procedures to ensure that all badges are returned upon termination;**
- c. ensure that applicable fees are collected before background checks are performed and licenses are issued; and**
- d. establish procedures to ensure that all vendors are properly registered.**

SLA Response:

SLA agrees with the recommendations. License approvals are now reviewed on a monthly basis by independent personnel to ensure that cases are properly documented and approved. Procedures have been established to ensure that badges are returned upon termination. Procedures also have been established to ensure that all fees are collected prior to performing background checks and also to ensure that all vendors are properly registered.

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