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TIMOTHY L. DEFOOR
AUDITOR GENERAL

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditor's Report

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Darrell Clarke
Chairman
Pennsylvania Liquor Control Board
Harrisburg, PA 17124

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows for the State Stores Fund, and the Balance Sheets and the Statements of Revenues, Expenditures, and Changes in Fund Balance for the Liquor License Fund of the Pennsylvania Liquor Control Board (PLCB), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements and have issued our report thereon dated December 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PLCB's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PLCB's internal control. Accordingly, we do not express an opinion on the effectiveness of PLCB's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the PLCB's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

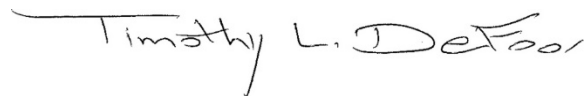
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as finding No. 1 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PLCB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PLCB's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PLCB's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Timothy L. DeFoor
Auditor General
December 12, 2024

PENNSYLVANIA LIQUOR CONTROL BOARD
SCHEDULE OF FINDINGS AND RESPONSES
STATE STORES FUND – JUNE 30, 2024 and 2023
LIQUOR LICENSE FUND – JUNE 30, 2024 and 2023

Finding No. 1 – Elevated Administrator Access in an Information Technology System Used for Retail Pricing

Type of Finding: Significant Deficiency in Internal Control

Condition: Our review of information technology (IT) general controls at the Pennsylvania Liquor Control Board (PLCB) for the fiscal year ended June 30, 2024, disclosed the following significant deficiency in internal control:

- In July 2023, elevated access was granted to four IT users in a system module used to update retail pricing. There was no documented logging or monitoring of the use of this elevated access.

Criteria: Management Directive 325.12, Amended – *Standards for Enterprise Risk Management in Commonwealth Agencies*, adopted the internal control framework outlined in the United States Government Accountability Office's *Standards for Internal Control in the Federal Government (Green Book)*.

- Green Book Principle 11 – Design Activities for the Information System, states in part:
 - *11.11 Management designs control activities for security management of the entity's information system for appropriate access by internal and external sources to protect the entity's information system.*
 - *11.12 Management designs control activities over access to protect an entity from inappropriate access and unauthorized use of the system. By preventing unauthorized use of and changes to the system, data and program integrity are protected from malicious intent (e.g., someone breaking into the technology to commit fraud, vandalism, or terrorism) or error.*
 - *11.14 Management designs control activities to limit user access to information technology through authorization control activities, such as providing a unique user identification or token to authorized users. These control activities may restrict authorized users to the applications or functions commensurate with their assigned responsibilities, supporting an appropriate segregation of duties.*

PLCB's *User Identity and Access Management Policy*, OITS-004, revised February 29, 2023 and approved February 29, 2024, addresses how access to PLCB information and information systems is controlled and states in part:

- *Section III, Definitions – Least privilege – The principle of least privilege is a security concept in which a user is given the minimum levels of access or permissions needed to perform their job.*
- *Section IV, Policy, A. User Identifier Management – System owners shall ensure that user IDs are implemented and maintained to support access control, least privilege, and system integrity.*
Section IV, Policy, D., Access Enforcement, 6. Least Privilege – Each PLCB user, program or process shall be granted only the access specifically needed to perform assigned duties.

A well-designed system of internal controls dictates that effective IT general controls, which include adequate access controls to programs and data, be established and functioning to ensure that overall agency operations are conducted in accordance with management's intent.

Cause: In July 2023, PLCB implemented a new Enterprise Resource Planning (ERP) cloud infrastructure that included a module to approve updates to retail clearance and promotional pricing. Upon go-live, PLCB identified a defect with automatic approval of retail pricing updates, so PLCB management granted elevated access to four IT users to allow them to perform this function. This access, however, gave the users additional abilities that were not appropriate. Further, PLCB found that the module allowed logging of user logins but did not have advanced logging capabilities that would allow PLCB to monitor the actions taken while using this privileged access. PLCB did not require the

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users to document their use of this enhanced access. Since the audit period ended, PLCB indicated that they initiated corrective actions by creating a role that provided more appropriate access.

Effect: Assigning inappropriate privileged access to users could result in unauthorized changes to the application and data, misuse of the application, or system actions outside management's intent. Further, without properly functioning IT general controls, the auditors are precluded from reliance on computer controls.

Recommendation: We recommend that PLCB management:

- Ensure PLCB system administrators comply with PLCB's *User Identity and Access Management Policy*, OITS-004 to ensure users are granted only the access specifically needed to perform assigned duties.
- Continue to work with the vendor to resolve the system defect to allow automatic approval of monthly retail pricing updates, which would allow system administrators to assign the lowest level of permissions as required by the policy. Prior to creation of that role, management should:
 - Consider creating a process to grant temporary access to administrator roles in situations where the minimum levels of access or permissions to perform duties cannot be granted; and
 - Explore logging and monitoring controls to help track use of elevated privileges in the new infrastructure.

Management Response: PLCB understands the importance of least privileged access and will continue to work with the vendor to resolve the system defect to allow automatic approval of monthly retail pricing updates. PLCB will also consider an effective and controlled process to grant temporary access to administrator roles in situations where the minimum levels of access or permissions to perform duties cannot be granted.

Auditors' Conclusion: PLCB response acknowledged the finding. No new information was provided which would mitigate the finding. The finding remains as stated. We will evaluate any corrective action in the subsequent audit.