



**MINUTES OF THE MEETING OF
THE OHIO LOTTERY COMMISSION (OLC) AUDIT COMMITTEE**

**HELD via MICROSOFT TEAMS
615 WEST SUPERIOR AVENUE - CLEVELAND, OHIO 44113**

**June 9, 2021
10:00 A.M.**

Present at the meeting were the following:

Angela Mingo, Madam Chair and Commissioner, OLC
Martin Sweeney, Audit Committee Member and Commissioner, OLC
Matthew Szollosi, Audit Committee Member and Commissioner, OLC
Nicole Kostura, Assistant Director, OLC
Sean Webster, Assistant Director, OLC
Cindy Klatt, Chief Audit Executive, Office of Budget and Management
Gregory Beyer, Deputy Director of Internal Audit, OLC
Carla Reeves, Office of Internal Audit, OLC
Jane Parker, Office of Internal Audit, OLC
Joseph Volpi, Office of Internal Audit, OLC
Diane Nagorny, Office of Internal Audit, OLC

CALL TO ORDER

- The Ohio Lottery Commission's (the "OLC") Audit Committee Meeting of June 9, 2021, was called to order by Madam Chair Angela Mingo at 10:02 a.m. via Microsoft TEAMS.
- Madam Chair Mingo asked Ms. Carla Reeves to take a roll call of all Audit Committee members that were present. Roll call was called, and all Audit Committee members were present.

APPROVAL OF MINUTES OF APRIL 14, 2021

- Madam Chair Mingo asked the Audit Committee Members whether there were any questions regarding the April 14, 2021 Meeting Minutes. There were no questions at that time. Madam Chair Mingo asked for a motion to approve the Minutes. Commissioner Szollosi motioned to approve the Meeting Minutes, which was seconded by Commissioner Sweeney. Ms. Reeves took a roll call vote, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.

MADAM CHAIR COMMENTS

- Madam Chair Mingo welcomed everyone to June’s Audit Committee meeting. She stated that this was the last Audit Committee meeting for Fiscal Year 2021 as such we will approve Fiscal Year 2022 Governance documents which included the Annual Audit Plan.
- Madam Chair Mingo explained that the Annual Risk Strategy were the key components for the Fiscal Year 2022 Annual Audit Plan and that the document takes into account feedback received from the Risk Assessment Survey. Madam Chair Mingo stated Deputy Director Gregory Beyer will speak on the Annual Audit Plan later in the meeting.
- Madam Chair Mingo thanked the Internal Audit department for a productive Fiscal Year 2021, and she was looking forward to Fiscal Year 2022.
- Madam Chair Mingo stated that there were four Governance documents that required the committee’s approval.
Madam Chair Mingo stated that the *first* document was the Internal Audit Policy Manual. She stated that the purpose of the Policy Manual was to ensure that the Internal Audit department could operate effectively while still providing a high level of accountability. Madam Chair Mingo asked Deputy Director Beyer whether he had any additional comments regarding the Internal Audit Policy. Deputy Director Beyer stated no and that the policy included the changes that were presented at April’s Audit Committee meeting.
- Madam Chair Mingo moved for a motion to approve the Finalized Fiscal Year 2022 Internal Audit Policy. Commissioner Szollisi seconded. Ms. Reeves took a roll call vote to approve the Policy Manual, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.
- Madam Chair Mingo moved on to the *second* document the Audit Committee Charter. She stated that the purpose of the Audit Committee Charter was to assist the Commissioners to fulfill the oversight and advisory responsibilities to the Ohio Lottery’s financial reporting, the Internal Controls, the Risk Assessment, the Internal/External processes and compliance with the laws rules and regulations.
- Madam Chair Mingo asked Deputy Director Beyer whether he had any additional comments regarding the Audit Committee Charter. Deputy Director Beyer stated no and that the Audit Charter document included the changes that were presented at April’s Audit Committee meeting.
- Madam Chair Mingo moved for a motion to approve the Finalized Fiscal Year 2022 Audit Committee Charter. Commissioner Sweeney seconded. Ms. Reeves took a roll call vote to approve the Audit Charter, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.
- Madam Chair Mingo moved on to the *third* document the Internal Audit Charter. She stated that the Internal auditing is an independent, objective assurance and consulting activity designed to add value to the Ohio Lottery’s operations. Madam Chair Mingo asked Deputy Director Beyer whether he had any additional comments regarding the Internal Audit Charter. Deputy Director Beyer stated no and that the document included the changes that were presented at April’s Audit Committee meeting.
- Madam Chair Mingo moved for a motion to approve the Finalized Fiscal Year 2022 Internal Audit Charter. Commissioner Szollisi seconded. Ms. Reeves took a roll call vote to approve the Internal Audit Charter, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.
- Madam Chair Mingo moved on to the *fourth* and final document the Annual Audit Plan. Madam Chair Mingo asked Deputy Director Beyer to provide comments regarding the Annual Audit Plan.

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- Deputy Director Beyer asked the committee to turn to page 55 of the Annual Audit Plan. He stated under the category “New Initiatives” there were language the he updated to clearly explain the Ohio Lottery Commission internal controls. He stated that Cindy Klatt, Chief Audit Executive, Office of Budget and Management suggested to update the language as to reflect improvements to the system. Deputy Director Beyer stated that was the only change that was updated.
- Deputy Director Beyer moved on to page 61 of the Annual Audit Plan. He stated that he took into consideration the results and comments from our Stakeholders, Internal Risk Assessment process and the Office of Budget and Management’s Enterprise Risk Assessment. He stated that two of the higher risk identified included, Cyber Security and Third-Party Risk Management.
- Deputy Director Beyer explained why he chose specific audits for the Annual Plan.
- Deputy Director Beyer stated that the following audits were planned for Fiscal Year 2022: Information Security, Change and Patch Management, Cashless, Mobiles Cashing (Carry Over FY21), Minority Business Enterprise (MBE), Intercept Program, Contract-Sci-Games Enhanced Partnership, and Fraud Monitoring- Cashless(Carry Over FY21). The Office Budget and Management (OBM) will conduct the General Ledger and the Contract-Pollard/Diamond Games audits.
- Deputy Director Beyer asked whether there were any questions or comments on the proposed audits for Fiscal Year 2022 Annual Audit Plan.
- Commissioner Szollosi stated that he was still in the learning stage of understanding the Ohio Lottery Commission operations/systems and asked whether it was out of the normal to engage outside vendors gaming machines that were released throughout the state.
- Deputy Director Beyer answered stating that that the process was different for OLC as the machine had a mechanical and digital component. Deputy Director Beyer deferred the question to Assistant Director Kostura to expand on his answer.
- Assistant Director Kostura provided Commissioner Szollosi background information on the Bars and Taverns stating that the Pollard/Diamond audit will ensure that the numbers of tickets were aligned with the gaming system.
- Commissioner Szollosi thanked Assistant Director Kostura for explaining the process.
- Madam Chair Mingo asked whether there were any additional questions or comments regarding the Annual Audit Plan. There were none.
- Madam Chair Mingo moved for a motion to approve the Finalized Fiscal Year 2022 Annual Audit Plan. Commissioner Sweeny seconded. Ms. Reeves took a roll call vote to approve the Annual Audit Plan, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.
- Madam Chair Mingo stated that all Governance documents have been approved.
- Madam Chair Mingo directed the meeting to Deputy Director Gregory Beyer.

DEPUTY DIRECTOR, OFFICE OF INTERNAL AUDIT COMMENTS

- Deputy Director Beyer stated that since April’s Audit Committee meeting, two audit reports were issued Daily Balancing of Online Games and Background checks.
- Deputy Director Beyer noted that they have continued to work on remediation of open issues. However, he stated that we have not verified or closed any issues since April’s Audit meeting.

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- Deputy Director Beyer stated that he mentioned at April's Audit meeting that in March the Multi-State Lottery Association (MUSL) conducted their Annual Compliance Review virtually. Deputy Director Beyer stated that we received the draft report and the final report would be issued in the Fall.
- Deputy Director Beyer stated that MUSL representatives are still required to conduct an on-site visit which will be scheduled in September along with the conversion review of the internal control online system.
- Deputy Director Beyer stated that once he receives the FINAL MUSL report he would share the results with the Audit Committee Members.
- Deputy Director Beyer moved on to the Dashboard. He stated that we have completed eight of our planned audits for Fiscal Year 2021 this included engagements from the Auditor of State (AOS) and the Office of Budget and Management (OBM).
- Deputy Director Beyer stated that they have made great progress of remediating the older outstanding audits and will continue to work with the departments to remediate issues.
- Deputy Director Beyer stated that the majority of the issues were Medium Risk issues and a few Low Risk items.
- Deputy Director Beyer asked whether there were any questions on the Dashboard. There were none.
- Deputy Director Beyer moved on to the Fiscal Year 2021 Quarterly Audit Plan Status Update.
- Deputy Director Beyer presented on two audits Daily Balancing of Games audit and the Background check audit that were completed. He provided the Audit Committee a detailed report of each these audits.
- Deputy Director Beyer provided a brief update of the remainder of the audits for Fiscal Year 2021.
- Deputy Director Beyer moved on to the AAR Summary document, since April's Audit Committee meeting no issues were closed and the number of issues increased by twelve, which reflected that currently there were thirty-six open issues.
- Deputy Director Beyer asked whether there were any questions on the Summary page. There were none.
- Deputy Director Beyer stated that he spoke to both Assistant Directors and a few of the Deputy Directors regarding the outstanding issues. He stated there were a couple of issues that were near completion.
- Deputy Director stated that in regard to the Sponsorship audit although places are opening up in Ohio, they are unsure when they would host OLC sponsor events.
Deputy Director Beyer stated that both the Operations and Marketing teams have submitted a request to close their issues. He stated that we would work with both departments to find a reasonable compromise to ensure that the improvements and efficiencies were noted in the audit.
- Deputy Director Beyer asked whether there were any other questions on the issues tracked or the Summary Report. Madam Chair Mingo asked for an update regarding the Contract Compliance Manager vacancy and were we were going to re-evaluate the role and responsibility for the Contract Compliance Manager position.
- Deputy Director Beyer deferred the question to Assistant Director Sean Webster.
- Assistant Director Webster stated that the position was offered to someone within the Lottery that was very proficient and familiar with the role of Contract Compliance. The individual was offered the position and accepted. Paperwork has been submitted to Human Resources.
- Madam Chair Mingo thanked Assistant Director Webster for the update.
- Deputy Director Beyer concluded his report.

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OBM UPDATE

- Cindy Klatt, Chief Auditor Executive, OBM, stated that they are scheduled to perform two audits for the Ohio Lottery Commission (OLC) in addition to performing their yearly Assurance Review for Fiscal Year 2022.
- Ms. Klatt mentioned that they were waiting for other agencies to submit their Annual Audit plans once they receive all plans, she will email Deputy Director McDonald on the hours that would be spent on conducting OLCs audits.
- This concluded Ms. Klatt's report. She asked whether there were any questions. There were none.

ASSISTANT DIRECTORS' UPDATES

- Assistant Director Kostura thanked the department of Internal Audit for all of their hard work to improve the agency processes.
- Assistant Director Kostura stated that as far as outstanding audit issues go, she wished to discuss the Sponsorship Audit. Based on COVID-19, they have not performed any in person events, however, when they do, she looked forward to implementing the processes that Internal Audit has recommended.
- Assistant Director Kostura mentioned that she was looking forward to working with the Office of Budget and Management (OBM) as it related to the Contract- Pollard Diamond Games audit. Assistant Director Kostura stated that the scratch off games were doing well and she was looking forward to working with OBM as they will take a look at how the new vendor machines are operating.
- Assistant Director Kostura concluded her report.
- Assistant Director Webster updated the Committee on Intralot- Liquidated Damages audit. He stated that OBM performed a consulting engagement on OLC Liquidated Damages last calendar year. He stated that OLC renewed a two – year contract with Intralot. As part of the renewal they updated policies and procedures with recommendations made from the consulting engagement.
- Assistant Director Webster mentioned that they hired a Gaming Contract Performance Manager to mitigate issues for retailers as it related to equipment from Intralot.
- Assistant Director Webster concluded his report.

EXECUTIVE SESSION

- Madam Chair Mingo stated that, "At this time I would like to move to go into Executive Session to consider security and infrastructure records required to be kept confidential by Ohio Revised Code §§121.22 and 149.433". Madam Chair Mingo made a motion to move into Executive Session, which was seconded by Commissioner Sweeney. Ms. Reeves took a roll call vote, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.
- The Audit Committee moved into Executive Session at 10:54 a.m.
- The Audit Committee moved out of Executive Session at 11:10 a.m.

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NEW BUSINESS ITEMS

- There were no new business items.

ADJOURNMENT

- Madam Chair Mingo called for adjournment of the Meeting at 11:15 a.m.

Prepared by:

Carla Reeves

Carla Reeves, OLC IA Administrative Professional

Approved by:

Angela Mingo

Madam Chair Angela Mingo, OLC Audit Committee

Signature: Angela Mingo
Angela Mingo (Sep 13, 2021 13:11 EDT)

Email: angela.mingo@lottery.ohio.gov