



MINUTES OF THE MEETING OF THE OHIO LOTTERY COMMISSION'S AUDIT COMMITTEE

Ohio Lottery 4th Floor Conference Rm 430/Microsoft Teams
615 West Superior Avenue, Cleveland, Ohio 44113

September 21, 2023
10:36 A.M.

Present at the meeting were the following:

Angela Mingo, Madam Chair and Commissioner, Ohio Lottery Commission
Martin Sweeney, Audit Committee Member and Commissioner, Ohio Lottery Commission
Michelle Gillcrist, Executive Director, Ohio Lottery Commission
Nicole Kostura, Assistant Director, Ohio Lottery Commission
Roman Popadiuk, Information Tech Manager, Ohio Lottery Commission
Gregory Beyer, Deputy Director of Internal Audit, Ohio Lottery Commission
Valerie Murphy, Office of Internal Audit, Ohio Lottery Commission
Brent Collier, Office of Internal Audit, Ohio Lottery Commission
Joseph Volpi, Office of Internal Audit, Ohio Lottery Commission
Kelly Salomone, Chief Audit Executive, Office of Budget and Management
Erin Brown, Audit Management, Office of Budget and Management

Not Present:

Matthew Szollosi, Audit Committee Member and Commissioner, Ohio Lottery Commission

Correction to last Meeting Minutes:

Under the Approval of Minutes, the date from March 8, 2022 to March 8, 2023.

CALL TO ORDER

- The Ohio Lottery Commission's (the "Lottery") Audit Committee Meeting of September 21, 2023, was called to order by Madam Chair Angela Mingo at 10:36 a.m. The meeting was held both in person and via Microsoft Teams.
- Madam Chair Mingo asked for a roll call of all Audit Committee members that were present. Roll was called, and all Audit Committee members were present except Commissioner Szollosi.

APPROVAL OF MINUTES OF

- Madam Chair Mingo asked the Audit Committee Members whether there were any questions regarding the minutes from the June 14, 2023 meeting. There were no questions at that time. Madam Chair Mingo motioned to approve the Minutes, which was seconded by Commissioner Sweeney. A roll call vote was taken and all Audit Committee Members present affirmatively voted. The motion passed 2-0.

MADAM CHAIR COMMENTS

- Madam Chair Mingo welcomed everyone to the September Audit Committee meeting, then pointed out the progress made with the migration to Teammate+ and the internal audit work in progress. Madame Chair Mingo turned the agenda over to Deputy Director Beyer.

- Deputy Director Beyer started with the Annual Report for Fiscal Year 2023 which outlined the activities of the Internal Audit Department for the past fiscal year, highlighting the number of audit projects that were undertaken and completed, the issue recommendations that were verified and closed, the risk assessment process that were undertaken in the spring to develop our current audit plan, the migration to Teammate+, and lastly the overall client satisfaction results that were conducted at the end of each audit project.

- Deputy Director Beyer also gave a description of accomplishments for the last fiscal year. The completion of six audit projects, the implementation of 21 issue recommendations and an overall client satisfaction score of 95%. The Fiscal Year was closed with fourteen open issue recommendations that were being tracked. Internal Audit fell short from prior years completions for the number of audits due to the loss of an auditor, and currently having two auditors. Adjustments were made to the number of projects in the current plan due to the retirement of another auditor a few months ago. No questions or comments were made, Madame Chair Mingo moved for approval of FY2023 Internal Audit Annual Report. A roll call vote was taken, and the Internal Audit Annual Report was approved 2-0.

DEPUTY DIRECTOR STATE INFORMATION SECURITIES INITIATIVE

- Deputy Director Beyer began with updates on the work for the 1st quarter. He explained that one final report was issued, a copy of which was included, that would be discussed. He verified implementation of two issue recommendations, and described the start of Audit's self-assessment for the external validation that is required by the Institute of Internal Auditor every five years. He discussed the completion of our migration to Teammate+, which took place around the end of June. The use of this application facilitated the movement of all applicable restorable data into the new environment. Deputy Director Beyer informed that we are currently in the trial-and-error stage, to determine what works best and what doesn't. Madame Chair inquired about new reports and Deputy Director Beyer confirmed that there were new reports. Commissioner Sweeney asked about records that were migrated. Deputy Director Beyer responded that everything that was record retention qualified was migrated, which complied with the State requirement to keep records for the past seven fiscal years. Commissioner Sweeney also asked about glitches and Deputy Director Beyer stated that he had been

documenting electronically for a while now and no glitches were discovered, which resulted in a smooth transfer. Madame Chair Mingo inquired on down time and the auditors' access to files and data. Deputy Director Beyer assured her that the auditors had full access to previous records in the original Teammate and the database was still accessible during the migration process.

- Deputy Director Beyer further responded to Madame Chair Mingo's question regarding new reports and stated that the reports and grids that are provided are very basic, however the audit team was still working to find what better fits their needs and what the committee is looking for on the reports.

- Deputy Director Beyer stated that they are currently working with the different departments on the implementation of audit issue recommendations and two recommendations are from the recently completed security audit which reviewed the patch management processes for end users' workstations and their servers. Deputy Director Beyer introduced Roman Popadiuk, one of the IT Managers, to give an overview to the committee on some new initiatives coming from the State Chief Information Security Officer and how they would impact Lottery operations in the foreseeable future.

- Roman Popadiuk started by giving some background on how this all started pursuant to the April 2022 Executive Order 2022-7D, which was created to set up a cybersecurity strategy advisor roll within the Governor's Office. The person appointed to this end was Kirk Herath, whose primary objective was to create a unified approach on all Ohio cyber security resistance initiatives policies and procedures in an effort to revamp the entire process. In February 2023, Mr. Herath appointed a new (CISO) Chief Information Security Officer, Holly Drake. Ms. Drake's primary goal was to implement Mr. Herath's objectives. For example, to measure and manage cyber risks, and to collaborate and partner with agencies, boards, and commissions. At the start of her career, the Governor's office and the Office of Information Security and Privacy, engaged with Aon Risk Services to conduct a cybersecurity assessment for the state. The recommendations came back with three key objectives, 1.) Demonstrate maturity in the state's cybersecurity posture over a 2 – 3 year period, 2.) Focus on ten objectives that became seventeen objectives, and 3.) Create small teams to implement the 17 key objectives known as task forces. The largest objective was vulnerability management.

- Mr. Popadiuk also stated that he was a representative of the state task force on vulnerability management work group. He noted that it has been an ongoing challenge for agencies throughout the state to build a resilient foundation from the end points to the servers to the network that not only protects the Lottery, but all state agencies. He meets monthly at OISP to review reports from a system called Qualis probes every device that is connected to the state network, collects information and suggests various patching that need to take place.

- Mr. Popadiuk also discussed partnering with OISP to request their own agency information security officer from OISP, they are currently looking at the state agencies and boards and commissions to assign someone to be the point of contact that will help with better communication. He will also be joining partner agencies in expanding Security Information Event Management (SIEM). They are moving to a product called Goggle Chronicle and the go live date was November 1, 2023, and Roman has chosen to join them in using that tool. This training would give our IT professionals an understanding of how the event management product can help them be more proactive in attacking vulnerabilities and incidences that may be occurring on the Lottery's network. The development team

has been struggling with secure coding practices over the years due to time and resources. The new product would scan and cleanse the team's coding once they have built out the application instead of them looking at the coding manually. By partnering with the state and OISP, Mr. Popadiuk believes his team will get into the mindset of secure coding practices, as well as finding tolls that will improve the Lottery's security.

- Commissioner Sweeney inquired about Mr. Popadiuk's experience. He replied that he started in State Government in 1994, where he spent four years at the Department of Commerce, doing endpoint services and networking, after which he came to the Lottery as the Help Desk Supervisor Manager. In this capacity, he was given assignments that helped him advance in different sectors of IT, up to and including his current position in IT Security.

- Madame Chair Mingo added that with our agency being tied to other state agencies, vulnerability does matter, so it's important to be proactive with regard to "bad actors" who are always a step ahead. She asked Mr. Popadiuk to expound on our review and patching practices and to further explain what that looks like.

- Mr. Popadiuk added that vulnerability management should start at the most common system, the endpoint. He described the endpoint as being every device the IT department issued to employees, including printers that are shared. To this end, the Lottery network is scanned twice a week; Tuesdays include the users' systems and Thursday's include the printers, servers and everything else. Additionally, his team meets every 1st Tuesday of the month to review and categorize the resulting reports. They are arranged by severity and age. Severity 5 is the worst and 1 is the weakest. For example, if a 5 is on the list for 90 days, it goes to the top of the list, so that a discussion can be quickly had regarding the best solution to mitigate it and how to best push out a fix.

DEPUTY DIRECTOR, OFFICE OF INTERNAL AUDIT COMMENTS

- Deputy Director Beyer began by giving highlights of the progress on implementing issue recommendations, specifically from the MBE (Minority Business Enterprise) audit done a few years ago. The Contract Compliance Manager has updated the procurement processes to ensure that MBE and EDGE spending expectations are considered in all contracts. The Finance team attended a trade show in June where they were able to interact with MBE and EDGE vendors around the state and connect with three new vendors that the Marketing team has started working with in production, advertising, or translation services. For example, a vendor from this trade show is currently being used for general office supplies and they are on a state term contract. Madame Chair Mingo expressed her that gratitude that the Lottery is continuing to be proactive and identifying those vendors.

- Deputy Director Beyer spoke on interviewing for the vacant auditor position. Madame Chair Mingo inquired on the current number of auditors, to which he replied two, meaning that at three, the Audit Department would be at full capacity.

- Deputy Director Beyer also gave a Quarterly Audit Plan update. The two open audits are the Fixed Asset Inventory Controls Audit and the Liability Deposit Program audit. The Fixed Asset Inventory Controls audit has moved into the reporting stage. This audit had three objectives: that disposals and transfers are properly controlled, recorded, tagged and identified; that periodic reconciliations and fiscal inventory are occurring; and that documentation exists to support the inventory transactions.
- Deputy Director Beyer stated that the Liability Deposit Program audit was still in the planning stage. This audit will be reviewing processes and oversights for the internal bonding program for Lottery Retailers that offer the Keno game. There are currently over 2800 retailers participating in the Liability Deposit Program. There are also three objectives for this audit: to determine if sales activities are captured and recorded timely to ensure that the bonding values are correct; to determine if liability deposit funds are properly recorded; and to determine if deposited funds were recorded and reconciled timely. This audit should be completed by the end of the calendar year.
- Deputy Director Beyer informed the committee that OBM would provide an update on the Mills James Game Show contract audit, which was marked as recorded. However, they are finalizing testing and would provide more information in the executive session.
- Deputy Director Beyer stated that the Racino Regulator Operations Consulting Engagement, which was requested by Executive Leadership, was completed in August. The objectives for this engagement were to review the department's processes for scheduling compliance reviews, to assess the process for completing these reviews, and to examine the current process for monitoring all findings resulting from the compliance reviews. There are seven regulators, one for each of the seven racinos. This audit looked at each report and compared how each compliance review was completed (by different groups), to identify where opportunities for efficiency improvement and consistency exist. The audit resulted in five recommendations. Specifically, to revise the compliance of scheduling reviews to better complete tasks within the proscribed time frame, to establish a consistent approach to completing those reviews, to standardize metrics, to develop dashboards for review findings, to set up a spreadsheet to track to a specific racino and /or across all racinos the requirements and expectations of compliance. Madame Chair Mingo asked if the audit department would assess throughout the fiscal year where each of the racinos are relative to recommendations that have been identified for them? Deputy Director Beyer responded that they would not, due to this being a consulting engagement. Internal Audit would, however, follow up when they conduct their risk assessment process in the Spring to discuss where they are. Assistant Director Kostura also added, Connie Miller who has since retired, was the Deputy Director of Racino Operations, and Simeonia Mays is the new Deputy Director who is in the process of adding to her staff. Assistant Director Kostura explained that the consulting engagement was helpful for the staff coming in, and that they would be sharing resources to improve their practices to hold their racinos accountable, while also having a more formalized process.
- Deputy Director Beyer stated that the external assessment for the internal audit function was currently in progress. It was being completed as a self-assessment that would be validated from another auditor outside of the Lottery. It would be completed every five years to remain in compliance with the Institute of Internal Audit (IIA). Deputy Director Beyer felt that the self-assessment has been beneficial because it allowed him to be able to analyze the functions based on individuality, review how Internal Audit has

been excelling, as well as identifying what needed improvement what could be lacking in some areas, and how to reevaluate and adjust goals. Deputy Director Beyer added that he planned to have the assessment completed in November, so that validation would be completed by the next Audit Committee meeting in December. The Auditor of State has been working on the Finance and IT controls audit, which should be completed by the end of September. A representative from the Auditor of State would be invited to December's meeting to present the results to the Committee.

- Deputy Director Beyer gave an update on open issues for claims regarding the Super Retailers Audit that was done by OBM last year. This audit was related to confidential personal (CPI) information and the oversight of our retailers. This included ensuring that sensitive information was being properly stored, documented, or destroyed. He added that Finance and IT are working with the Sales Department to develop a checklist that could be used with the sidekick application to review with super retailers, to ensure that CPI was handled appropriately. He hoped to have this audit completed by calendar year's end.

ASSISTANT DIRECTOR'S UPDATES

- Assistant Director Kostura gave her appreciation to both OBM, as they completed their work with Mills James review for the Cash Explosion, and to Brent who has been doing his fieldwork on the Assets Inventory audit. She indicated that she would have a more detailed update in Execution Session.

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 §§149.433 and 117.26." Madam Chair Mingo's motion to move into Executive Session was seconded by Commissioner Sweeney. A roll call vote was taken, and all Audit Committee Members present affirmatively voted. The motion passed 2-0.

- The Audit Committee moved into Executive Session at 11:14 a.m.
- The Audit Committee moved out of Executive Session at 11:38 a.m.

NEW BUSINESS

- Deputy Director Beyer informed the Committee that he would be in Columbus the following week to present to the State Audit Committee on the Lottery's audit functions and give them an update as to what the Lottery does annually from an audit perspective.

ADJOURNMENT

- Madam Chair Mingo called for adjournment of the Meeting at 11:40am.

Prepared by:

X Valerie Murphy

Valerie Murphy
Administrative Professional 4

Approved by:

X Angela Mingo

Madame Chair Angela Mingo
OLC Audit Committee

Signature: *Valerie Murphy*

Email: valerie.murphy@lottery.ohio.gov

Signature: *Angela Mingo*

Angela Mingo (Dec 18, 2023 22:47 EST)

Email: angela.mingo@nationwidechildrens.org







Meeting Minutes 09.21.2023

Final Audit Report

2023-12-19

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